As of 11 a.m. ET **DJIA** 10583.28 ▲ 0.09% **FTSE 100** 5526.72 ▼ 0.06% **Nikkei 225** 10681.66 ▼ 0.46% **Shanghai Comp.** 3192.78 ▼ 1.89% **Hang Seng** 22269.45 ▼ 0.66% **Sensex** 17615.72 ▼ 0.48% **S&P/ASX 200** 4899.40 ▼ 0.45%

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China moves to cool its growth

By James T. Areddy

SHANGHAI—China's central bank on Thursday acted to cool the supercharged economy amid worries over inflation, engineering a minor tightening of credit that unnerved global markets.

The decision to slightly raise the cost of borrowing in the interbank market stopped well short of an official interest-rate increase. But it raised the prospect that more-aggressive moves to rein in growth might be in store. Its impact was magnified because it followed a recent warning about inflation by Premier Wen Jiabao, who expressed concern about fast-rising property prices.

China's economy expanded 8.9% in the third quarter of 2009 from a year earlier, powered by massive bank lending.

For the first time in nearly five months, the yield rose on an issue of short-term debt instruments sold by China's central bank. The People's Bank of China issued three-month bills into local yuan money markets at 1.3684%, slightly above the 1.3280% yield that has prevailed since August.

The bill yield reflects the central bank's own cost of borrowing, and because the People's Bank controls the rate, its decision to pay more to borrow money was taken as a strong signal that other Chinese borrowers should anticipate somewhat more-challenging borrowing conditions. For financial markets, the move marks a step away from the easy monetary policy Beijing has favored since the global financial crisis struck in late 2008.

However technical, China's move was unexpected. The Shanghai Composite Index of shares fell 1.9% and significant pullbacks were felt in other markets. Hong Kong's Hang Seng Index finished off about 0.7% and some European markets dropped at the opening of trading.

Also affected were prices of global commodities, including crude oil and copper, on concern that any slowdown in China's economy would reduce industrial demand for the goods.

Analysts don't foresee interest-rate increases for months. Chinese officials say the global economy isn't yet healthy enough for the world's third-biggest economy to reverse its yearlong, progrowth policy.

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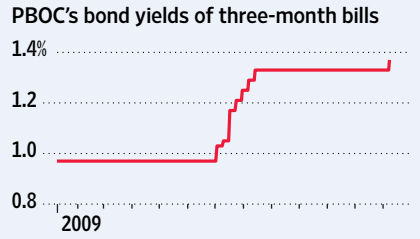
■ China aims to transform a nation of savers into spenders 3

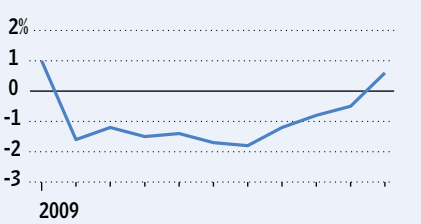
Reuters

A coat vendor waits for customers at a market in Changzhi, Shanxi province on Thursday.

Tick up
A slight rise in a Chinese bill yield has raised tightening-credit concerns, even though the CPI has just recently turned positive.

Sources: People's Bank of China (bond), National Bureau of Statistics, China (CPI)





Kan era in Japan begins with jolt

By Takashi Nakamichi And Takashi Mochizuki

TOKYO—Japan's new finance minister began his job with a jolt Thursday, swaying currency and debt markets with proclamations that he favored a weaker yen and more government spending to keep Japan's weak economy from sliding back into recession.

Naoto Kan's comments at his first news conference in his new job were unusually blunt, stretching the boundaries of what is often considered appropriate for a top finance official.

He also continued his campaign to pressure the Bank of Japan to keep monetary policy loose—comments that have sometimes been seen as challenging the central bank's independence. "With help from monetary-policy steps, I'd like to avoid the economy from falling into a double-dip recession," he said.

Mr. Kan, 63 years old, was tapped this week to succeed the 77-year-old Hirohisa Fujii, who resigned suddenly, four months into his job, citing high blood pressure and fatigue.

Please turn to page 12

Sony pins future on a 3-D revival

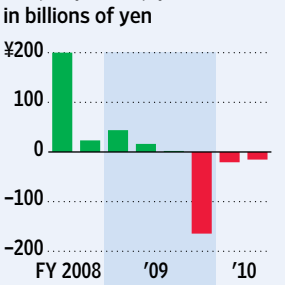
By Daisuke Wakabayashi

LAS VEGAS—With its once-revered electronics business flagging, **Sony** Corp. is placing a huge bet this year that 3-D technology will vault the company back into a leadership position in the living room.

In his latest effort to resuscitate the struggling Japanese behemoth, 67-year-old CEO Howard Stringer has bulled past the hesitancy of some top aides to drive every unit of the company—from TV production to the movie studio to its videogame arm—to advance three-dimensional viewing in the global marketplace.

He has pushed executives to abandon a bias against "non-Sony" technologies and to team up with other suppliers. He has evangelized about the technology outside the company, too, persuading both the PGA Tour and ESPN to begin taping and broadcasting events in 3-D.

Crawling back
Sony's quarterly profit/loss, in billions of yen



Note: Fiscal year ends March 31 of year shown
Source: the company

Mr. Stringer's wager comes at a time when the 3-D market is already packed, and getting more so by the minute: The top four TV makers, representing more than 50% of the global market, have also committed to a big 3-D push. Smaller companies are expected to dive in, too. With competition so intense, the field could quickly go from nascent to overcrowded and result in a brutal, profit-killing price war.

The signs of congestion are on display this week at the annual Consumer Electronics Show in Las Vegas, where Sony is showing nine different big-screen TV models and sizes—about a quarter of its new TV lineup—all capable of displaying 3-D video. A year ago, Sony had just one relatively low-grade 3-D television to show in Las Vegas, while rival **Panasonic** Corp. stole the spotlight with its pioneering 103-inch 3-D prototype.

Mr. Stringer highlighted Sony's new initiative Wednesday by showing a 3-D video of Jimi Hendrix's iconic 1969 Woodstock performance, followed by a live performance by pop sensation Taylor Swift recorded and projected on a screen behind her in 3-D.

Three-dimensional technology "will give new life to many of our products," said Mr. Stringer in an interview. "It's pretty hard to ignore us in the 3-D world."

Sony executives predict the 3-D industry will grow to

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What's News—

* * *

Business & Finance

■ **American Airlines raised** its offer to invest in Japan Airlines by $300 million to $1.4 billion, intensifying the battle with Delta to forge a partnership with the cash-strapped Japanese carrier. 3

■ **Samsung said it expects** to report a quarterly operating profit of as much as $3.45 billion, compared with a year-earlier loss. 13

■ **GM's chairman said** the car maker will be profitable this year, a bold and unexpected prediction for a company just out of bankruptcy reorganization. 13

■ **South Korea's government** said it will sit in on central-bank policy meetings, a step that will pressure the Bank of Korea to keep interest rates low. 4

■ **The Bank of England kept** its bond-purchasing plan and interest rates unchanged on data showing the U.K. economy returned to growth at the end of 2009. 7

■ **Chinese shares sank** as a central bank move to tighten liquidity in the money markets raised fears that further tightening could come sooner than expected. U.S. stocks struggled for direction. 21

■ **U.S. chain stores posted** better-than-expected December sales, helped by advance planning on tight inventories and less-expensive merchandise. Several retailers raised quarterly forecasts. 18

■ **Volkswagen retained** its position as the biggest passenger-vehicle maker in China, though some of its rivals posted bigger growth there in 2009. 14

■ **China Vanke posted** weak property sales for last month, an early effect of Beijing's efforts to cool an overheated market. 15

■ **ArcelorMittal said** it is likely to sign an initial pact with the southern Indian state of Karnataka to set up a six-million-ton steel plant. 18

Associated Press

A former child soldier waves to friends as they leave their camp in Dudhauli, Nepal. Scores of former child soldiers boarded buses Thursday for home, leaving a U.N.-monitored detention camp where they were held for three years. The 155 youths were among some 3,000 minors known to have been affiliated with the Maoist rebels, who fought the government for 10 years before laying down their arms in 2006 and joining mainstream politics.

■ **Baidu is launching** a unit to offer licensed video content online, as the Chinese search engine follows a Hulu business model. 15

■ **Jindal sold part of its stake** in takeover target Rocklands Richfield, complicating a tussle between the Indian firm and a Chinese rival for control. 18

■ **Cadbury board members** have held talks with Hershey directors, encouraging them to counter Kraft's hostile bid for the British confectioner. 17

■ **Taiwan's exports grew** at their fastest pace in almost 15 years in December, thanks to multiple factors including strong demand from China and the U.S. 4

■ **Australian retail sales surged** 1.4% in November, pressing the case for the central bank to raise interest rates next month. The Australian dollar rallied. 4

■ **The Philippines paid** only a small premium over yields of its existing global bonds as investors leapt at its $1.5 billion offering. 19

■ **Retail spending** in the euro zone fell sharply in November, as did consumer spending in Germany, raising fresh doubts about Europe's economic recovery.

■ **Aberdeen Asset Management** is in the final stage of talks to buy parts of RBS's asset-management division, after other bidders have dropped out. 22

* * *

World-Wide

■ **The U.S. demanded** that Pakistan stop detaining American diplomats at police checkpoints on the country's roads, an unusual public complaint intended, in part, to counter rumors of U.S. plots against Pakistan. 6

■ **A Shanghai court official said** that a local dairy suspected of tainting milk was known to authorities nearly a year ago. 7

■ **A senior Yemeni official said** the Nigerian man alleged to have tried to bomb a Northwest flight likely met with a radical U.S.-born cleric who U.S. investigators have linked to the suspect. 6

■ **U.S. border patrol officers** had singled out the suspected Christmas bomber as his flight was in the air, and agents were preparing to question him but had no plans to arrest him, U.S. officials said. 6

■ **Suspected Muslim insurgents** triggered two roadside bombs just before a visit to southern Thailand by the prime minister, killing two people and injuring three.

■ **A suicide bomber killed** seven people at a bazaar in eastern Afghanistan, and a bomb hidden in a outside a provincial governor's compound injured the official.

■ **Armed Nuer tribesmen** in Sudan killed at least 139 members of a rival tribe in a remote area in the south, an official said.

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Repsol, the Spanish oil giant, is using a high-end computer processor used in Sony's PlayStation 3 console to hunt for oil in the Gulf of Mexico.

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WORLD NEWS

American Airlines raises offer for JAL

By Mariko Sanchanta And Atsuko Fukase

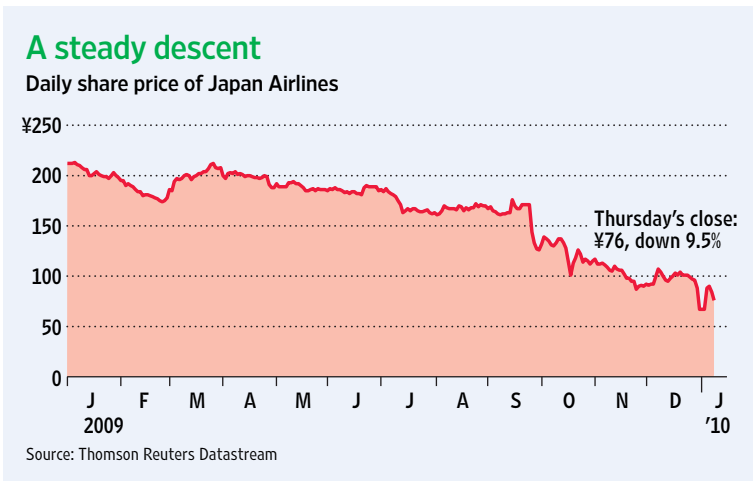
TOKYO—**AMR** Corp's American Airlines raised its offer to invest in **Japan Airlines** Corp. by $300 million to $1.4 billion, according to people familiar with the situation, intensifying American's battle with rival **Delta Air Lines** Inc. to forge a partnership with the cash-strapped Japanese carrier.

American met with JAL executives Thursday morning and sweetened its offer, according to the people. American, along with other members of the oneworld airline alliance and private-equity fund **TPG**, last month offered to invest $1.1 billion in JAL.

A formal announcement on the increased offer is expected next week.

"We are still in negotiations with both airlines," said a JAL spokeswoman, who declined to comment on whether American had increased its offer.

Delta President Ed Bastian at a news conference Thursday suggested his company could go higher, saying "we are willing and able to raise additional capital through third-party resources." Delta and its SkyTeam alliance members have offered JAL a total package of about $1 billion, including $500 million in equity. A Delta spokesman declined to comment further.



Both U.S. airlines are seeking a minority stake.

The higher offer from American came as investors grew increasingly concerned about JAL's prospects. Its shares dropped 9.5% Thursday to 76 yen (82 cents) after some of its biggest lenders proposed a major debt-for-equity swap that would dilute the holdings of current shareholders.

JAL is deeply unprofitable and sitting on more than one trillion yen, or roughly $10 billion, in net debt and pension liabilities. It is pursuing an out-of-court restructuring but also studying whether it should file for the Japanese equivalent of a U.S. Chapter 11 bankruptcy protection. A decision is expected to come on Jan. 20, when a government turnaround agency will say whether it will help rehabilitate the carrier.

JAL's weakness provides American and Delta with a rare opportunity to invest in the carrier and share in its access to routes in Asia, the world's fastest-growing region for aviation. JAL, which was privatized in 1987, has long been a protected and prized national asset.

Tensions between American and Delta have grown as the battle has intensified in recent weeks. JAL joined the oneworld alliance, to which American belongs, in 2007. Last year, Delta said it wanted to enter a partnership with JAL.

Mr. Bastian repeatedly has said that "the focus should be on who provides the most long-term commercial partnership, not who provides the most short-term cash."

Meanwhile, JAL's biggest commercial creditors have proposed a debt-forgiveness package valued at more than $3 billion—a major concession designed to coax the government-funded Enterprise Turnaround Initiative Corp. away from placing the struggling carrier in court-led bankruptcy protection, people familiar with the matter said. The banks have proposed a debt waiver of 300 billion yen, which includes the debt-for-equity swap.

JAL's main banks are opposed to a bankruptcy filing as they would see much of their loans to the carrier wiped out. But the ETIC views a court-led process as the only way to restore taxpayers' confidence after a decade of public bailouts for JAL, while ensuring a transparent process.

The banks' plan also was presented to the Development Bank of Japan, the state-backed lender asked by the government in recent days to double an existing credit line to JAL to 200 billion yen to ensure that its jets keep flying through spring.

Heard on the Street

■ Wanted at JAL: An iron-fisted executive 26

According to the people familiar with the matter, the banks that submitted the proposal include Mizuho Corporate Bank, which is part of **Mizuho Financial Group** Inc.; Bank of Tokyo-Mitsubishi UFJ, part of **Mitsubishi UFJ Financial Group** Inc.; and Sumitomo Mitsui Banking Corp., a unit of **Sumitomo Mitsui Financial Group** Inc.

—Alison Tudor contributed to this article.

China aims to turn its savers into spenders

By Andrew Batson

BEIJING—China's forceful use of government stimulus programs helped it emerge from the financial crisis as the world's fastest-growing major economy. Yet with the worst of the crisis past, the government is putting more resources into subsidies to support consumer spending.

That short-term focus on boosting purchases of automobiles and home appliances, critics say, does little to address the longer-term challenge: weaning China's economy off exports and finding new sources of growth in domestic consumption.

"Subsidies just shift consumption in the future to consumption in the present. All of these small policies will not solve the big problem," said Wang Jian, secretary-general of the China Society of Macroeconomics, a government think tank. "The key problem is how to open up domestic consumption now that external demand is declining."

Spending by China's increasingly prosperous consumers is now one of the most closely watched trends in the global economy, as it could help offset cutbacks by U.S. households. China's official policy since 2004 has been to get more economic growth from household consumption. But that goal hasn't been met: consumer spending's share in the economy has fallen from 40% to 35% over the period.

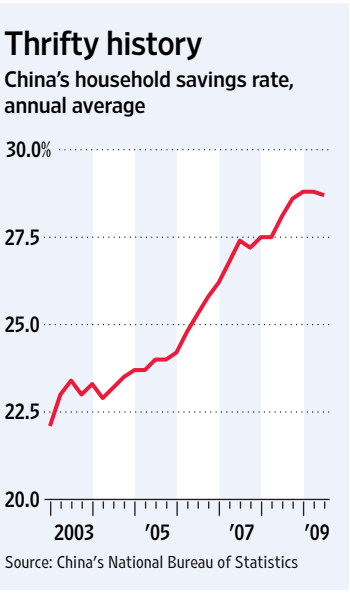
Many Chinese economists say reversing that requires politically difficult policies that would favor consumers more and state enterprises less. For instance, lifting restrictions on small and private businesses would likely help create more jobs, giving households more money to spend. But the government has often moved in the opposite direction: For instance, it bailed out state-backed airlines while letting their private competitors fail.

China also has rebuffed calls to let its currency rise, a move that could hurt exporters but that trading partners say would lift the purchasing power of Chinese consumers. Premier Wen Jiabao last month said China "will absolutely not respond" to pressure to let the yuan appreciate, and noted that exports remain relatively weak.

The government is spending substantial sums to get consumers to buy manufactured goods. China budgeted three times as much as the U.S. on subsidies for car purchases in 2009, notes Thilo Hanemann, an analyst for Rhodium Group.

The U.S. set aside $3 billion for its "cash-for-clunkers" program and $1.7 billion for a tax deduction on car purchases, but China planned $14.8 billion on tax breaks and subsidies for car purchases. The response has been dramatic: Sales of cars eligible for the break are up 63% this year as of the end of October. And a trade-in program to subsidize home-appliance purchases has had $1.3 billion in sales by the end of November.

Consumers like the programs, but are becoming more demanding. Zhang Jun, a 45-year-old accountant in Beijing, said government programs helped persuade her to buy a new washing machine. Ms. Zhang said she is considering buying a new television set this year, but would like to see even more incentives. "The subsidy is too low. I think the current stimulus effort is not big enough," she said.



The government said last month the tax break on cars with smaller engines would be extended into 2010, though at a reduced rate, along with a host of other consumer subsidies. A "cash for clunkers" trade-in program will offer higher rebates next year. Subsidies for purchases of home appliances will be extended through this year.

Yet household savings remain high at over a quarter of income, which constrains how much faster consumer spending can grow. The subsidies probably won't deliver as big of a boost going forward, since many consumers have already taken advantage of them. "The release of pent-up demand all happened in 2009. We don't expect this to happen again in 2010," said Marcus Hoffman, principal at Roland Berger Strategy Consultants in Shanghai.

While other countries have also used such subsidies, few governments have extended them for as long as China's has. "It suggests that they're not that confident that consumption will remain strong without these subsidies in force," said Mark Williams of Capital Economics in London.

The focus of China's stimulus plan is firmly on investment and industry. Though getting household consumption to add more to economic growth has been official policy in China since 2004, its share in the economy has actually fallen from 40% to 35% over the same period. Many Chinese economists say meeting the policy goal would require changing the structure of the economy to put more income in the pockets of consumers and less in the hands of corporations.

"China has always been a producer country. It is very difficult to change this, since there are many ways of thinking that are deeply ingrained," said Mao Zhenhua, dean of the institute of economics at Renmin University in Beijing.

—Kersten Zhang contributed to this article.

Bloomberg News

Shoppers browse Wednesday in a Suning Appliance Co. store in Beijing. Government subsides have lifted sales of appliances.

Seoul joins BOK's rate talks

By Kanga Kong And In-Soo Nam

SEOUL—South Korea's government said Thursday it will start sitting in on central-bank policy meetings, an unexpected step that will pressure the Bank of Korea to keep interest rates low.

The vice finance minister will begin attending the BOK's policy meetings as an observer Friday, exercising a right the government hasn't used in 11 years, the Ministry of Strategy and Finance said.

Just hours earlier, the central bank had said it would keep monetary policy loose for now, but gradually withdraw the emergency measures that have bolstered Asia's fourth-largest economy.

Korean government bond prices surged on the announcement that Hur Kyung-wook will attend central bank meetings "regularly" to "brief on the government's assessment of the economy, inflation conditions and policy direction."

Stressing the need for continued economic support, Mr. Hur said the risk of a hasty exit by global policy makers from their stimulus policies "is much bigger than the risk of it being too late."

He told CNN in an interview that Korea's authorities "have to remain vigilant" about such risks to the local economy as the weak U.S. commercial real-estate market, European debt downgrades and rising oil and commodity prices. Mr. Hur wasn't asked specifically about the BOK.

Analysts in a Dow Jones Newswires survey this week were nearly unanimous in forecasting the BOK would keep its key policy rate at a record low 2% Friday for an 11th straight month but begin tightening by midyear, with some expecting the first rate increase as early as next month.

"Many in the market have been expecting a rate hike within the first quarter, but with that news [on government attendance at BOK meetings], market participants are thinking that a rate hike could come later than that," said a bond manager at a local asset-management firm. "We really have to see what actually happens at the meeting to be sure."

The yield on three-year debt fell 11 basis points, or 0.11 percentage point, for the day to 4.32%, and the five-year yield was down 10 basis points at 4.84%. The won shed some of its early gains against the dollar.

The vice finance minister said the risk of a hasty exit by global policy makers from their stimulus policies 'is much bigger than the risk of it being too late.'

The ministry and BOK separately vowed Thursday to keep supporting the fragile economic recovery, but the central bank said, "The degree of accommodation will be progressively moderated, taking into consideration overall financial and economic conditions at home and abroad."

The BOK, in a statement outlining its monetary- and credit-policy goals for this year, said inflation in 2010 will be around 2%, but there likely will be upward pressure on the consumer price index in the second half.

The ministry, in its monthly Green Book economic summary, said it is still too early to exit emergency policies. "We passed the crisis and are witnessing a continued recovery trend, but it's [still] difficult to conclude the recovery base is solid."

The government will carry out its plan to front load its budget spending swiftly, the report said.

The Green Book said Korea likely had a current-account surplus of $2 billion in December, helped by a robust trade surplus. In November, the current-account surplus was $4.28 billion.

Min-Jeong Lee contributed to this article.

Reuters

A man walks at Keelung, a port in northern Taiwan. During December, the island's exports grew at the quickest pace in nearly 15 years as the global economy improved.

Taiwan exports surge in December

By Crystal Hsu

TAIPEI—Taiwan's exports grew at the fastest pace in almost 15 years in December, driven by the recovering global economy, strong demand from China and the U.S, and a low base of comparison, the Ministry of Finance said Thursday.

December's exports rose for the second consecutive month, surging 46.9% to US$20.03 billion from US$13.64 billion a year earlier. The rise was slightly faster than the median 45.89% rise forecast by 10 economists surveyed earlier by Dow Jones Newswires. The increase was more than double November's 19.4% rise, and the highest since February 1995's 48.1% increase.

December's exports value also strengthened from November's US$20.02 billion, and was higher than the US$19.9 billion economists had expected.

"We expect to see both exports and imports grow by double digits through the first half of the year," said Lin Lee-jen, director of the statistics department.

However, Ms. Lin said there are potential threats to the island's trade, because jobless rates in the U.S. and Europe remain high, oil prices are rising, and various governments could exit economic stimulus measures.

Taiwan's imports in December rose 56.2% to US$18.34 billion from US$11.78 billion a year earlier, exceeding the survey's forecast of a 50.34% increase to US$17.71 billion, and also faster than November's 17.9% gain to US$17.9 billion.

Taiwan's trade surplus narrowed to US$1.65 billion in December from US$2.11 billion in November, the ministry said, lagging behind the survey's forecast of a US$2.19 billion surplus.

Taiwan's exports to China and Hong Kong nearly doubled from a year earlier, surging 91.2% to US$8.45 billion after November's 47.8% increase. Exports to the U.S. rose 4% from a year earlier to US$2.26 billion, reversing November's 5.8% drop, the ministry said. Shipments to Europe rose 22.5% to US$2.31 billion.

The ministry said exports of electronic products, which accounted for 27.8% of Taiwan's total exports in December, rose 72% to US$5.58 billion.

Retail sales in Australia rose in month

By James Glynn

SYDNEY—Australian retail sales surged in November, rising at the fastest pace since the launch of economic stimulus at the start of 2009 and stoking the case for the central bank to raise interest rates next month.

The Australian dollar surged by half a U.S. cent and bonds weakened as futures markets priced in a 56% probability of a rate increase at the Reserve Bank of Australia's next policy meeting in early February. That probability is up from around 50% at the start of the week. Late Thursday in Sydney, the Australian dollar had trimmed its gain, trading at US$0.9230.

Retail sales rose a higher-than-expected 1.4% to a seasonally adjusted 20.08 billion Australian dollars (US$18.53 billion) in November from A$19.8 billion in October, the Australian Bureau of Statistics said. It was the strongest monthly rise in eight months. Economists had expected a 0.3% rise in sales for November.

Also Thursday, Australia's trade balance narrowed as a drop in imports outstripped weakness in exports. The seasonally adjusted balance on trade in goods and services narrowed to a deficit of A$1.7 billion in November from a A$2.08 billion deficit in October, the ABS said. Economists has expected a deficit of A$1.8 billion.

The strength in retail sales comes despite back-to-back interest-rate increases in October and November, and is likely to feed the view of some policy makers that the economy is now in a fully fledged upswing that will demand tighter interest rates. Although it didn't affect the latest data, the central bank also raised rates in December, taking the official cash-rate target to 3.75%.

"Given the amount of discounting in the weeks after Christmas, we would have thought these numbers would fall," said Helen Kevans, economist with J.P. Morgan, adding that the data affirmed her view that rates will rise next month.

Millan Mulraine, economic strategist at TD Securities, said the data are evidence of strong consumer spending powered by still-accommodative interest rates and stimulus through government spending.

While vindicating the decision of the RBA to raise rates in October, November and December, it puts a rate rise in the first quarter firmly on the table, he said.

Australian Retailers Association Executive Director Russell Zimmerman said the data boosted confidence that Christmas sales also would prove robust. "Most shoppers leave their Christmas shopping to the last week before Christmas, so to see such strong growth early on in the season is a good sign for retailers," he said.

The overall weakness in Australia's trade performance in November reflected mostly a fall in export prices, led by coal and iron ore.

But Kieran Davis, chief economist at RBS, said that recent price trends are promising, and that when new contracts for coal and iron are signed with Asian buyers in coming months, the trade outlook should improve. Already, the spot price for iron ore sold to China is US$124 per ton, close to 30% higher than current contract prices.

—Enda Curran and Geoff Rogow contributed to this article.

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Yemen traces path of bomb suspect

By Margaret Coker

SAN'A, Yemen—The Nigerian man alleged to have tried to bring down a Detroit-bound flight on Christmas Day met al Qaeda elements in Yemen and likely met with a radical U.S.-born cleric who U.S. investigators have linked to the suspect, a high-ranking Yemeni official said.

Deputy Prime Minister Rashad al Alimi, citing Yemeni intelligence investigations, said Umar Farouk Abdulmutallab, the bombing suspect, left school in San'a, the capital, in late September, and traveled to Shabwa province, an al Qaeda stronghold.

"There is no doubt he met with al Qaeda elements in Shabwa, including likely with [Islamic cleric Anwar al Awlaki]," Mr. Alimi said at a news conference.

Mr. Abdulmutallab left Yemen on Dec. 4. He allegedly tried to detonate a chemical explosive on Northwest Flight 253 from Amsterdam to Detroit. The plane landed safely after the crew and passengers overpowered him.

Mr. Awlaki was born in Las Cruces, New Mexico, to Yemeni parents. He was the imam at a Virginia mosque attended by Maj. Nidal Hasan, the suspect in the Fort Hood, Texas, shooting spree in November, and had contact with two of the 9/11 bombers.

European Pressphoto Agency

Deputy Prime Minister Rashad al Alimi of Yemen said Thursday that the alleged Christmas Day bomber had met al Qaeda agents there, and likely met with a radical cleric who has been drawn into the global investigation of the incident.

U.S. investigators have uncovered intelligence "chatter" indicating contacts between Mr. Awlaki and Mr. Abdulmutallab.

Yemeni officials haven't presented any specific evidence linking Mr. Awlaki operationally to the planning and execution of the attempted plane bombing or the Fort Hood shooting. But they say they consider him a significant security risk.

"He's the most dangerous man in Yemen," according to a Yemeni official familiar with the country's counterterrorism operations. "He's intelligent, sophisticated and very charismatic. He can sell anything to anyone, and right now he's selling jihad."

People close to Mr. Awlaki say he isn't a member of al Qaeda, doesn't condone violence against civilians, and has no connection to Mr. Abdulmutallab's alleged attempt.

Mr. Awlaki's whereabouts aren't known. He was one of the targets in a lethal Yemeni military attack on Dec. 24, along with three of the top leaders of al Qaeda in the Arabian Peninsula, as the Yemeni-based chapter is called, according to Yemeni officials.

The cleric's family members, speaking to Yemeni media, say he is still alive.

Mr. Alimi, the deputy prime minister, said the house targeted in the attack may have been where Mr. Abdulmutallab met with al Qaeda leaders earlier in the fall.

Mr. Alimi told the news conference on Thursday that Mr. Abdulmutallab had no links with the militant group when he first came to Yemen in 2004 and 2005 to study Arabic.

Mr. Alimi said the man was radicalized during his time in the U.K., where he had studied between his two stints in Yemen. He returned to Yemen in August 2009, after a stint studying in Dubai.

On Tuesday, U.K. Home Secretary Alan Johnson told Parliament that Mr. Abdulmutallab's radicalization happened after he left London in 2008. Prime Minster Gordon Brown said over the weekend the Nigerian had first made contact with al Qaeda in Yemen.

Further muddying the waters, Mr. Alimi, in his news conference Thursday, said he didn't believe that Mr. Abdulmutallab received weapons or explosive training in Yemen, as the Nigerian has told U.S. investigators.

—Sarah Childress in Abuja, Nigeria, and Alistair MacDonald in London contributed to this article.

U.S. had identified suspected plane bomber

By Jonathan Weisman

WASHINGTON—Border patrol officers had singled out the suspected Christmas bomber as his Northwest Airline flight was in the air headed for Detroit, and customs agents were preparing to question him on landing, White House officials said.

Yet agents had no plans to arrest Umar Farouk Abdulmutallab or even subject him to the most rigorous search, the officials said.

The failure to prepare stringent questioning only underscores what President Barack Obama has called "systemic" flaws in the U.S.'s intelligence systems, an administration official said Thursday. The White House plans to release an unclassified version of a report on the Christmas Day bombing attempt Thursday afternoon, after the president again addresses the country on the incident.

The report's finding will send "a certain shock" through terrorism-weary Americans, National Security Adviser James Jones told USA Today.

Mr. Abdulmutallab's name came to the attention of Customs and Border Protection agents during a routine check of arriving passengers in Detroit. That check matched the young Nigerian to a name on the Terrorist Identities Environment list, the broadest watch list the government maintains.

Agents planned what one administration official termed "a few additional questions" after landing but before admission to the country.

But because Mr. Abdulmutallab's name wasn't on the more rigorous secondary screening or no-fly lists, he wasn't likely to have been stopped at the airport, the official said. It was a low-level alert; agents weren't closing in on the alleged bomber just before he tried to detonate plastic explosives aboard the jet.

The issue is likely to be one of several to emerge from the report, drafted by White House counterterrorism coordinator John Brennan. That report will focus on flaws in the watch-list system and the failure of intelligence agencies to connect a stream of information that should have alerted officials to the bomb plot long before Mr. Abdulmutallab boarded the jet and allegedly tried to kill 279 passengers and 11 crew members.

Mr. Abdulmutallab was indicted Wednesday on six counts, including attempted murder and the attempted detonation of a two-part bomb made from the explosives PETN and TATP as the plane prepared to land.

U.S. demands Pakistan stop harassment of diplomats

The U.S. Embassy in Islamabad demanded Thursday that Pakistan stop detaining American diplomats at police checkpoints on the country's roads—an unusual public complaint intended, in part, to counter rumors of U.S. plots against Pakistan.

U.S. officials privately say the traffic stops, which they describe as harassment, are part of a broader campaign aimed at limiting America's diplomatic presence in Pakistan. The officials say they believe the campaign is being driven by elements in the military and the Inter-Services Intelligence spy agency.

*By **Zahid Hussain** in Islamabad and **Matthew Rosenberg** in New Delhi*

Pakistan is a U.S. ally, but anti-American sentiment is rising in the South Asian nation. Many of its officials, soldiers and spies are mistrustful of Washington's intentions in neighboring Afghanistan and growing ties to archrival India. Many ordinary Pakistanis, meanwhile, believe the U.S. is pouring spies into Pakistan and aims to take away its cherished nuclear arsenal.

U.S. diplomats also say that scores of American diplomats and officials were waiting on visas to come to Pakistan or extensions to remain in the country.

U.S. officials say the delays risk undermining joint efforts to beat back the Taliban and al Qaeda and stabilize Pakistan. Many of the people waiting on visas are to help oversee a $7.5 billion civilian aid package.

Washington believes the harassment and visa delays were partly an attempt to keep the U.S. from nearly doubling the size of its embassy in Pakistan, a U.S. diplomat said. "They're really suspicious of what we're doing here," the diplomat said.

The embassy's statement called for "immediate action" by Pakistani authorities "to cease these contrived incidents involving U.S. mission vehicles and personnel."

It cited an incident Wednesday when a U.S. vehicle with two Pakistani employees of the U.S. mission and a police constable guarding them were briefly detained in Gwadar, in southern Pakistan.

The embassy said the car was properly registered as a diplomatic vehicle, which means it wouldn't be subject to search under international conventions. The consulate staffers were in the area to prepare for an upcoming visit by American development specialists, the embassy said.

The problem in Gwadar was the latest in a string of incidents. At first, U.S. officials say they thought the traffic stops were the work of overzealous police officers following a series of Taliban attacks.

But the stops have persisted, despite complaints to the government. "It's become increasingly evident that these are more than just routine security checks," said another U.S. diplomat.

In one case in Lahore, in eastern Pakistan, an American official was detained for six hours; in another, a vehicle was confiscated for a few days, said the diplomat. In some instances, television crews were waiting at the checkpoints, indicating a degree of premeditation.

A spokesman for Pakistan's foreign ministry, Abdul Basit, denied U.S. diplomats and officials were being harassed and said visas were being delayed because the applicants hadn't furnished the needed information.

"The vehicles are detained only when they do not have proper registration papers," he said. "It only shows that our security officials are vigilant and they should be appreciated for it."

In several cases, he said, vehicles carrying U.S. officials used fake license plates; in others, another official said, the vehicles carried unregistered firearms and the passengers couldn't prove their identity. The U.S. has denied this.

Such allegations have become a feature of stories about American conspiracies against Pakistan that now dominate a section of the Pakistani media. The stories have persisted, despite strenuous U.S. denials—a significant motivation behind the embassy's public complaint Thursday, diplomats said.

"We felt like we had to address it a little more openly," said one of the U.S. diplomats. "We're trying to address certain quarters of the Pakistani public that thinks there is something nefarious going on here when that's just not the case."

The diplomat said all U.S. vehicles carry proper diplomatic documentation but don't bear diplomatic plates because that would make them an easy target.

But that, too, has become a problem because Pakistan's government hasn't made good on an agreement to provide the U.S. Embassy with nonsequential plates, which would be harder to trace, the official said. The official wouldn't say if embassy vehicles were currently driving with sequential plates.

Probe of dairy concealed

Shanghai official says melamine concerns were held for nearly a year

By James T. Areddy

SHANGHAI—An admission Thursday by a Shanghai court official that a local dairy was suspected of tainting milk with the chemical melamine nearly a year before such concerns were made public sows fresh doubt about China's food-safety regime.

Shen Weiping, an official in a district prosecutor's office in Shanghai, said **Shanghai Panda Dairy** Co. was initially investigated last February, some 11 months before the probe and company closure were announced last week.

On New Year's Eve, state-run media quoted a Shanghai quality inspector saying the dairy was closed on grounds of producing milk products tainted with high levels of the industrial chemical melamine. This week, officials at several levels of China's government declined to elaborate on the report, which also noted the melamine-tainted condensed and powdered milk were recalled, the company's licenses were revoked and three of its executives were arrested.

According to Mr. Shen, whose court has jurisdiction in the Fengxian District where Shanghai Panda was based, quality inspectors began probing the company last year on Feb. 7 and "the investigation took over two months." On April 28, Mr. Shen added, three unnamed executives were detained and then formally arrested in June.

A statement from the prosecutor was first reported by the New York Times.

In 2008, the Chinese dairy industry, its regulators and other authorities were widely criticized over melamine tainting. Signs emerged that spiking milk with melamine was a widespread practice—causing health problems, particularly for babies—but not addressed. Officials permitted a fuller story to emerge only after the Beijing Olympic Games concluded, and were driven to do so at least partly at the prompting of foreign diplomats. Ultimately, six infants died after drinking milk from melamine-laced powder and 300,000 people were made ill.

The chemical melamine has a variety of industrial uses. In China it has been added to milk to make substandard product appear to have more protein. But melamine can cause liver problems for humans who ingest it.

China's judicial system punished people allegedly involved in the 2008 scandal, handing down death sentences to two and long jail terms to many others. The government also implemented a new food-safety law.

—Kersten Zhang in Beijing contributed to this article.

Sub-zero temperatures send chill across Europe

Reuters

A person walks on a snow-covered beach in front of the pier in Brighton, England. Freezing weather and high demand for natural gas in the U.K. forced a grid operator to warn gas shippers that measures may need to be taken to curb demand.

BOE keeps policy unchanged

By Natasha Brereton And Paul Hannon

LONDON—The Bank of England's monetary policy committee kept its bond-purchasing plan and interest rates unchanged Thursday, as business surveys and official data indicated the U.K. economy returned to growth at the end of 2009.

But the signs of recovery are fragile, and the prospects for expansion are weighed down by the large debts of the public sector and households. Huge amounts of spare capacity in the economy suggest inflationary pressures also will remain muted.

That means BOE policy makers are likely to consider in February whether to extend their £200 billion (about $320 billion) quantitative easing bond-buying program, in light of their new quarterly forecasts for inflation and output.

"The committee has left the door ajar on the possibility of raising the asset-purchase target further," said Philip Shaw, an economist at Investec.

Yields on U.K. government bonds are likely to rise when the BOE stops its bond-buying program, although it isn't clear how sharp that increase will be. Higher borrowing costs for the government would raise borrowing costs for companies and households, acting as a drag on the recovery.

Thursday's decision had been expected. None of the 14 economists surveyed before the announcement predicted a change in interest rates from the record low of 0.5%.

The BOE is almost alone among leading central banks in considering further steps to boost demand. The U.S. Federal Reserve and the European Central Bank already have begun, or started to pave the way to, removing stimulus, while a number of smaller central banks have raised their key interest rates in response to the global economic recovery.

Meanwhile, rising energy prices in November confirmed the developed world's emergence from a deflationary period, as the prices of many goods and services continued to climb.

On Thursday, data from the Organization for Economic Cooperation and Development showed that consumer prices in its 30 member states rose 1.3% in the 12 months to November, having edged up 0.2% in the 12 months to October.

From June to September, the world's developed economies saw their first collective deflation since the OECD began compiling data in 1971—a testament to the severity of the global crisis and the recession it engendered. The OECD's emergence from deflation also indicates the global economy is recovering.

Falling energy prices were the main driver behind the developed world's deflation, and rising energy prices have been responsible for the return to inflation.

In the U.K., house prices in December rose in annual terms for the first time since March 2008, ending the year on a high that was unexpected at the beginning of 2009, Halifax reported Thursday. The U.K. lender also said it expects house prices to be flat over the course of 2010. *—Ilona Billington contributed to this article.*

All isn't lost for Democrats: Five ways to boost prospects

[Capital Journal]

By Gerald F. Seib

You know things are bad for Democrats when a move that actually improved their chances in this fall's elections—Wednesday's retirement of the politically troubled Sen. Christopher Dodd of Connecticut—was universally interpreted as yet another sign of the party's bleak prospects in 2010.

In fact, the man who will step in for Democrats to try to keep that Senate seat—state Attorney General Richard Blumenthal—is more popular than Mr. Dodd and actually has a better shot at winning. Yet the broader take-away was that the Dodd retirement, coming within hours of more shocking departure announcements by North Dakota Sen. Byron Dorgan and Colorado Gov. Bill Ritter, was a metaphor for a party in trouble, bringing forth the inevitable rats-jumping-sinking-ships analogies.

With some justification. The Dorgan retirement, more than the Dodd one, makes it exceedingly unlikely that Democrats can hold onto that magic, filibuster-proof majority of 60 Senate seats. And the consensus now is that they will lose 25 to 30 seats in the House in November's midterm elections. That would leave Democrats in control of Congress, but in much the same way President Hamid Karzai is in control of Afghanistan, which is to say barely.

Still, the new year is but eight days old, which invites a question: Are there things Democrats could do, or have done for them, to improve their prospects? The answer, obviously, is yes. Here are five developments that still might lighten those storm clouds hanging over Democrats:

Change the perception of health legislation.

As Democrats try to reconcile the different House and Senate versions of health legislation, Republicans are going to try one last time to kill the whole thing. But Democrats probably have climbed too far out on the health limb to allow it to be sawed off behind them now.

So let us assume a final version is passed and signed by President Barack Obama in the next month or so. The question then becomes: Can Democrats make the product more popular once it is finished than it was while under assembly? In particular, can they convince fully employed, middle-class Americans that they are getting some tangible benefits from the bill's insurance reforms, or at least a greater sense of security about their insurance, in return for its big price tag?

White House officials take some solace in the way attitudes changed over an equally unpopular piece of legislation, the North American Free Trade Agreement. In the fall of 1993, as Congress was heatedly debating the legislation, Americans opposed it by 36% to 25%, according to Wall Street Journal/NBC News polling. President Bill Clinton, who vigorously backed the trade deal, saw his job approval fall to 47%.

But by the time he signed it into law in December of that year, public opinion had shifted, and the deal was supported by 36% to 31%. By the next spring, Mr. Clinton's approval rating had risen to 57%. (Of course, there soon followed a scandal over Mr. Clinton's alleged marital infidelities, and his own disastrous attempt at health reform, so his reprieve was short-lived.)

Find job growth.

The unemployment rate is virtually certain to remain uncomfortably close to the politically perilous 10% level through the November election. The key for Democrats will be whether new jobs are starting to be created, producing a perception that the trend line is turning around.

So look for the administration to start talking less about unemployment rates, and more job creation. If you listened closely, you would have heard White House economic adviser Lawrence Summers make that rhetorical pivot last month, predicting on ABC's "This Week" that there would be "employment growth" by spring.

Convince America the deficit is being handled.

The federal budget deficit has morphed from an abstraction into a real concern for most Americans. It is now running $1.4 trillion annually, and the Obama administration has no real hope of doing much to materially change that by November. Its political imperative, instead, is to do enough in presenting its new budget in February to convince people that it knows how to get its arms around the problem.

Find an issue that is popular in the political middle.

That isn't likely to be the proposed climate-change legislation that would launch a giant new cap-and-trade system for controlling greenhouse gases. After health care, cap-and-trade likely will simply feel risky to a middle America seeking reassurance.

Instead, some Democrats think a more winning issue in 2010 is education. There, Education Secretary Arne Duncan is taking steps that have actual bipartisan appeal. He is forcing changes in ossified education systems by making states actually compete to win federal grants and is working to address the Double-A problems confronting parents with kids approaching college: access and affordability of higher education. Look for more from the president on that.

Get help from the opposition.

However dire their straits, the two parties can usually count on the fact that the other side rarely misses an opportunity to miss an opportunity. In this case, Republicans could fall into two traps: They could descend into ideological warfare among themselves, or fail to co-opt the "tea party" movement, whose adherents are seething at Democrats but not enamored of Republicans either.

H&R Blockheads

We're guessing that when Americans think of outlaw industries, tax preparers aren't the first rogues who come to mind. But lo, the nation's green eyeshades are now destined to come under the regulatory rule of the Internal Revenue Service as part of the Obama Administration's latest revenue grab.

Under the plan, which would begin with the 2011 tax season, anyone who takes money to help people with their taxes will have to register with the IRS, and eventually pass competency tests and sign up for continuing education. So having made tax filing so complicated that most Americans need help with their forms, Washington now wants to raise the price of such counsel by regulating advisers in a way that may reduce their supply.

> The IRS wants to save Americans from rogue tax accountants.

Defending the decision, IRS Commissioner Douglas Shulman declared that regulating tax preparers was reasonable because "In most states you need a license to cut someone's hair." Yes, the cosmetology guild does like to raise the barriers to entry for competitors.

Cheering the new regulations are big tax preparers like H&R Block, who are only too happy to see the feds swoop in to put their mom-and-pop seasonal competitors out of business. Kathryn Fulton, senior vice president for government relations, told the Washington Post the company was glad to support rules that meant H&R Block "won't be competing against people who aren't regulated and don't have the same standards as we do." With fewer tax preparers in the market, H&R Block will find it easier to raise prices.

It might also live to regret that. The new IRS blueprint is already in play in California, whose rules for regulating tax preparers seem to have inspired Commissioner Shulman, including his new education and registration requirements. To get taxpayers away from preparers and off-the-shelf software, the state is pushing programs like CalFile, which allows voters to file returns through a state run electronic program. Under the ReadyReturn program, the state will even scour your W-2 for the year and send you a return for your signature already filled out. The eventual goal seems to be to have the government do everybody's state tax return, like the French do.

The feds are now getting in on this act, with Montana Democrat Max Baucus and Iowa Republican Chuck Grassley supporting a free e-file portal at the IRS Web site that would compete directly with private tax preparation software. In March, Treasury Secretary Timothy Geithner told a Ways and Means Committee hearing that he'd also like the IRS to begin sending taxpayers pre-completed returns.

We can certainly understand why Mr. Geithner wants government to do *his* returns, but please spare the rest of us. By insourcing tax preparation to the government, the IRS would shift the burden of objecting to any error onto the taxpayer instead of the IRS. That would change the dynamics of U.S. tax compliance, trending away from a voluntary system in which taxpayers are expected to be honest about declaring income and deductions—subject to audit. Instead, the feds would apply their standards, and a taxpayer would have to appeal for an exception to the same efficient folks at the IRS you can't get on the phone at tax time.

America's tax preparers are far from a band of desperados: CPAs and lawyers already make up a large percentage of those who assist taxpayers for a fee, and all paid preparers already have to put their name or ID numbers on client returns. The IRS can thus already see if the clients of certain preparers are on the edgy side in taking deductions or declaring income. The tax men can make auditing decisions accordingly. These new rules look like a redundant exercise to intimidate tax preparers to be less aggressive in urging clients to take tax deductions.

For the Obama Administration, the new regulation is a way to try to increase tax revenues without Congress having to pass a law. Chalk it up as another lunge for the mystical "tax gap" of unreported income, which the IRS estimates with little evidence at $290 billion a year. Our guess is that the new regulatory scheme will cost far more than it will ever yield in revenues.

The U.S. has survived for 235 years with an unregulated tax prep industry, but the Obama crowd can hardly resist grabbing one more corner of the private economy it doesn't control. Here's a better idea: If Washington doesn't like taxpayers working the system of legal deductions to reduce their tax burden, it can always simplify the code and flatten the rates.

Unions v. Race to the Top

Is the Obama Administration going to side with school reformers, or will it reward state and local teachers union affiliates that defend the status quo? This is a question states are asking as they prepare their applications for $4.35 billion in Race to the Top competitive grants. Some guidance from Education Secretary Arne Duncan would be helpful.

Teachers unions in Minnesota and Florida are currently threatening to withhold support for their state Race to the Top applications, which are due later this month. So is the school boards association in Louisiana. This matters because the Administration has placed a premium on states garnering "local school district support" in order to win a grant. Not having union buy-in isn't fatal, but it definitely hurts a state's chances of getting federal funds.

States will be evaluated on a 500-point system, with the largest number of points (138) going to states that improve teacher effectiveness by using student performance to help rate instructors. States are awarded 45 additional points for getting "local education agencies" to sign off on their applications—about the same number of points they get for turning around failing schools.

Unions are mainly opposed to teacher accountability reforms. Both Florida and Minnesota want to implement or expand systems that tie teacher pay to student test scores. The irony is that both President Obama and Secretary Duncan have expressed support for such programs, yet Race to the Top is giving leverage to reform *opponents* who would eliminate or weaken these policies, and it punishes states that want to expand them over union objections.

Collective-bargaining agreements that protect bad teachers also harm children. Unions, which put the interests of their members above those of students, aren't bothered by this. But state reformers who are trying to correct the problem don't deserve to be penalized on their Race to the Top applications. They deserve some political cover from "the top," meaning Mr. Duncan.

Race to the Top awards are supposed to go to states demonstrating "a coordinated and deep-seated commitment to reform." Letting unions undermine state reform applications is a race to nowhere.

Exit Stage Left

Something odd is happening to the permanent progressive majority that the U.S. was supposed to have elected 14 months ago: Its Members are announcing plans to leave Congress even before the voters get a chance to pass judgment on their liberal governance.

"This is my moment to step aside," Christopher Dodd said yesterday in front of the East Haddam, Connecticut home that he once financed with the help of Countrywide Financial. The 65-year-old, five-term Senator said his decision not to seek re-election was his own, but there's little doubt he was heading toward a well-earned defeat this fall amid personal scandal and an angry electorate unsettled by the Obama-Pelosi agenda.

A day earlier, North Dakota's 67-year-old Byron Dorgan announced he also won't seek re-election. Though a left-winger in a conservative state, Mr. Dorgan's brand of prairie populism has sold well enough to keep him in Washington for 30 years, and the Senate for three terms. Mr. Dorgan has not had a truly close election since Barack Obama was in grade school, but this year he might have faced popular GOP Governor John Hoeven in a state where 64% of those polled in December by Rasmussen Reports opposed ObamaCare. Mr. Hoeven, if he runs, or some other Republican will likely win the seat, assuming the GOP is remotely competent.

The Dodd retirement means that his seat is also up for grabs. We wouldn't be surprised if Mr. Dodd, so far down in the polls, was told by fellow Democrats that he needed to clear the field for someone with a chance to win in the bluish state. Democrats think that man is the seemingly eternal state Attorney General Richard Blumenthal, but the national environment favors Republicans.

As the state's highest-ranking law-enforcement official, Mr. Blumenthal rejected any suggestion of investigating the state's senior Senator for his participation in Countrywide's VIP program. This may make voters rightly skeptical of his potential to be an agent of change. Mr. Blumenthal certainly offers nothing new on policy for those voters grown weary of Mr. Dodd's agenda.

The potential for GOP gains in these states, and others, underscores how much the Democrats' 60-seat Senate majority is a fleeting historical accident. Alaska Republican Ted Stevens barely lost even after he was convicted of a crime that was overturned after the election. Trailing after election night in 2008, Minnesota Democrat Al Franken surged to victory during a "recount" distinguished by more ballots than voters in 25 precincts and preposterous inconsistency in the enforcement of rules by the state's Canvassing Board. Pennsylvanian Arlen Specter switched parties last year after his vote for the Obama stimulus became so unpopular that he concluded he could never win again as a Republican.

Christopher Dodd

The looming collapse of the Democrats' momentarily filibuster-proof majority is reason enough not to ram through a health-care bill on a partisan vote. The brute political force will only look more willful and dismissive of public opinion.

The other immediate policy implication is that Republicans now have a much stronger hand to reject Mr. Dodd's blueprint for financial reform. Combining a safety net for too-big-to-fail behemoths with expensive consumer regulation that would fall on small community banks, his proposal has a limited constituency outside Goldman Sachs.

Republicans should resist the collegial urge to bestow a taxpayer-funded capstone on Mr. Dodd's Congressional career. They are likely to be in a much stronger position in 2011.

OPINION

The Prosecution of Power in Japan

By Michael Auslin

It's a bad sign for any politician to have to start the New Year with an apology for a brewing scandal. But with two former aides indicted by prosecutors for fund-raising illegalities last month, Japanese Prime Minister Yukio Hatoyama had to do just that in his first address of 2010. With both Mr. Hatoyama and his co-leader of the Democratic Party of Japan, Ichiro Ozawa, embroiled in the controversies, some may wonder if old-fashioned political scandal will short-circuit Japan's new era of hope and change

Political fund-raising scandals threaten to undermine the DPJ's reform momentum.

Both Messrs. Hatoyama and Ozawa have denied any wrongdoing, as have their indicted former aides, Keiji Katsuba and Takanori Okubo. Mr. Katsuba is accused of falsifying political-funding reports, to the tune of 400 million yen ($4.3 million); Mr. Okubu, for accepting illegal donations to Mr. Ozawa's political fund management company, and falsely reporting them. Another Hatoyama former aide, Daisuke Haga, was ordered to pay a 300,000-yen fine last month for failing to spot funding discrepancies.

These cases have already sparked political fallout. The arrest of his aide forced Mr. Ozawa to step down from the party's presidency last May, putting Mr. Hatoyama in the DPJ presidency and ultimately the prime minister's office. Mr. Hatoyama has admitted receiving over one billion yen in donations from his mother, but said he was not aware how that money was reported to authorities. Still, he made a public apology at a press conference last month.

Even if neither man is ultimately charged with any wrongdoing, there is no doubt that the DPJ's image has been tarnished by the suspicions surrounding its two top leaders. Messrs. Ozawa and Hatoyama led the DPJ to power in no small part by posing as reformers of Japan's political system and by hammering the Liberal Democratic Party on its corruption and incompetence. During the election campaign, Mr. Hatoyama promised to change the way politics is done in Japan, including eliminating special interests from the budget and policy making, tightening political donations and putting the commonweal before corporate profit.

Political scandal and corruption has been a permanent feature of postwar Japan's political landscape. For many, that became the cost of keeping Japan's economic machine humming and ensuring that the business-friendly LDP maintained power. It also meant the waste of enormous amounts of taxpayer dollars, the rigging of public bidding and the stifling of competition and innovation. Indeed, during the height of Japan's growth, for three-and-a-half decades (starting in the early 1970s) the LDP was shaken by one scandal after another. Party heavyweights such as former premier Kakuei Tanaka and Shin Kanemaru were convicted of accepting bribes, the former secreting millions of yen in gold bars under the floors of his house. Major corporations were convicted of various illegalities that benefited politicians, such as an insider-trading scandal connected to temp agency Recruit and improper loans made by trucking company Sagawa Kyubin.

The crumbling of public support for the LDP was due in part to these nonstop scandals. Yet one danger for Japan's new leaders stems from the downfall of the last non-LDP government, back in 1994. Then-Prime Minister Morihiro Hosokawa, heading a fragile coalition of opposition parties that took power from a scandal-weakened LDP in 1993, resigned just eight months into his term after he admitted receiving an improper loan from Sagawa Kyubin. Mr. Hosokawa's resignation dealt a death blow to the new political movement and after a few weeks, the LDP was in a power-sharing arrangement with the Socialists before taking control again in 1996. Could history repeat itself?

The DPJ is today far more powerful than Mr. Hosokawa's 1994 coalition, and it controls both houses in the Diet. A demoralized and shrunken LDP is in no position to regain power anytime soon. However, the DPJ's hold on power cannot be taken for granted, especially if voters perceive that DPJ politicians are improperly benefitting from their positions, just as their LDP predecessors did. Even worse for Mr. Hatoyama is that he is being buffeted not only by the current scandal, but by other problems ranging from a crisis in U.S.-Japan relations to his backtracking on prominent campaign promises to reduce taxes. Public-opinion polls have his Cabinet's approval rating dropping precipitously, now under 50% after touching the high 60s a few months ago. Respondents are particularly critical of Mr. Hatoyama's flip-flopping on key issues. Any further allegations about fund-raising irregularities may solidify a negative public opinion about Mr. Hatoyama and make a mockery of his claim to be a reformer.

David G. Klein

That would likely lead to an internal struggle for power in the DPJ, where Mr. Hatoyama is but one power center, along with Mr. Ozawa, Finance Minister Naoto Kan, Foreign Minister Katsuya Okada, and Minister of Land, Infrastructure and Transport Seiji Maehara. Any weakening in Mr. Hatoyama's legal or political position would cause party leaders to look to insulate the DPJ from political fallout. Both Messrs. Okada and Maehara would likely play a key role in restructuring the party, but would have to contend with the powerful Mr. Ozawa.

Beyond these internal politics, however, the greatest damage done by the scandals surrounding Messrs. Hatoyama and Ozawa may be to the spirit of political reform in Japan. Voters clearly wanted a break with the past, and punished the LDP for its inability to respond to the interests of ordinary citizens. So far, Mr. Hatoyama has not delivered on many of his campaign promises and voters are beginning to wonder if DPJ is really capable of changing Japan for the better. Should such scandals damage public belief that reform is possible, Mr. Hatoyama may leave behind a far different legacy than he intended.

Mr. Auslin is the Director of Japan Studies at the American Enterprise Institute.

Don't Revalue the Yuan Yet

By Calla Wiemer

Chinese Premier Wen Jiabao kicked off the new year by reiterating that China will not yield to foreign pressure to appreciate its currency. To his credit, he has a successful record of focusing currency policy on achieving domestic macroeconomic objectives and is right to continue on this course. This does not preclude an appreciation of the yuan when the time is right. But the time is not right yet.

Western critics who call for yuan appreciation see it as the cure-all for global trade imbalances. Yet China's external imbalance narrowed sharply in 2009, even as the country maintained a firm peg to the dollar at 6.8 yuan. Projections from research firm Dragonomics show China's current-account surplus as a share of GDP dropping by half in the last year to 5%. To the extent that critics register this trend at all, they dismiss it as a temporary aberration caused by a collapse in external demand for China's exports. As the global economy recovers, they maintain, China's trade surplus will expand again unless action is taken on the exchange rate.

Yet the exchange rate isn't a relevant factor in achieving a sustainable rebalancing in China's foreign trade. A surplus of exports over imports is simply the external manifestation of an excess of saving over domestic investment. Export revenues not spent on imports are used to acquire foreign assets, which represent Chinese saving invested abroad.

The critics may be right that the recent mitigation of imbalances will prove unsustainable, but this has nothing to do with the exchange rate. Rather, it concerns the way the saving and investment gap has been closed through expanded investment, as opposed to reduced saving and increased consumption. This is unsustainable because China's domestic investment as a share of GDP is already extremely high, at around 45%, and its system of allocating capital is inefficient. A government-backed stimulus program funded largely through bank lending has generated the bulk of recent investment gains. But investment on these terms is in danger of losing steam as projects fail to yield sound economic returns.

It's a tool to battle inflation, not to influence the trade balance.

A long-term resolution of imbalances—both external and internal—must come from Chinese consuming more and saving less. There is not a plausible story for how exchange-rate appreciation would achieve this outcome. The argument is sometimes made that a stronger yuan would inhibit saving by cutting into enterprise profits. But saving in the form of enterprise retained earnings did not increase over the past decade, even as the national saving rate rocketed up. Rather, households and government were behind the explosion in saving. These seem the more promising targets on which to focus. In any case, if the objective is to encourage consumption by redistributing income from enterprises to households, more pointed mechanisms exist for doing so than the exchange rate.

The exchange rate itself has a far more important function in China as an instrument of macroeconomic policy. This is true generally for developing economies characterized by immature financial markets and capital-account controls that impede use of the interest rate as a policy instrument. Currency appreciation restrains growth and subdues inflation; conversely, depreciation stimulates growth and spurs price increases. Throughout the global financial crisis, the peg to the dollar has stabilized the Chinese economy. The time for the yuan to appreciate will have arrived when signs of overheating emerge and inflation becomes a threat.

Policies to stimulate consumption would actually hasten that day along. The expansionary effect of fiscal policies aimed at boosting consumption would find a ready counter in the contractionary impact of a rising yuan. Plenty of latitude exists to pursue such a strategy given the strong fiscal position the Chinese government enjoys.

The true magnitude of the fiscal surplus as of 2007 has only recently been revealed with the release of flow of funds data through that year. From a negative position stretching back to 1992, government net revenues broadly defined reached balance in 2005, then shot up to 5.3% of national disposable income in 2007. Much of this burgeoning net revenue was parked in bank deposits.

The last two years may have seen a slight easing in this fiscal tightfistedness. The stimulus program announced in late 2008 was valued at four trillion yuan ($580 billion). With much of the spending financed by bank lending, however, it seems reasonable to surmise that as of this year, the government possesses vast unutilized capacity to undertake the kinds of much needed consumption spending on health and education it has long talked up.

Critics who advocate yuan appreciation in and of itself as a mechanism to reduce trade imbalances are sure to be disappointed. But if they champion fiscal spending on consumption, they could get not only the narrowing of China's trade surplus they ultimately seek but a collateral increase in the yuan to boot.

Ms. Wiemer is a visiting associate professor of economics at Claremont McKenna College and a visiting scholar at the University of California, Los Angeles, Center for Chinese Studies.

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IN DEPTH

Sony pins its future on a 3-D revival

Continued from first page

more than one trillion yen ($11 billion) in product sales within three years, more than 10% of the company's current revenue, helping restore profitability to a TV business that has lost money for five straight years. They say 3-D will eventually make up as much as half of the company's TV lineup, help double its global market share and pull it closer to Korean giants **Samsung** and **LG Electronics** Co., who have pushed the one-time television leader to third place in recent years.

Mr. Stringer, who became the first non-Japanese CEO of Sony in 2005, is hoping that 3-D will be the key to a "united" Sony, one whose varied businesses—from content to electronics to software—make the company better positioned to take on less-diversified rivals. It's a goal executives have tried to achieve with only limited success since their forays into Hollywood and music in the 1980s turned Sony into one of the world's most-expansive entertainment businesses.

Sony says it expects to minimize fallout from a potential price war by being among the earliest entries into the field. But the competition is already fierce.

One of the first big hits of the new 3-D age is Twentieth Century Fox's blockbuster "Avatar." Panasonic has been especially aggressive in capitalizing on the buzz, even though the film was shot with Sony cameras. As part of an exclusive marketing deal with Fox, Panasonic is running commercials that show "Avatar" playing on its televisions and director James Cameron using Panasonic gear on the set—including display screens, smaller cameras and mobile phones.

Panasonic has also been working with Fox and **Walt Disney** Co., two of the most active companies in making 3-D films, to market and enhance high-definition Blu-ray versions of the studios' films. The Blu-ray format will also be used to watch 3-D videos.

Mr. Stringer says Sony considered a marketing deal with Avatar but passed because it would have cost too much money. Fox, which declined to comment, is owned by **News Corp.**, which publishes The Wall Street Journal.

While the technology has been around for decades, 3-D has taken on new life from digital advances that have inspired a wave of Hollywood hits. Theaters have been able to charge a premium for movies with 3-D effects, and the electronics industry is hoping that such enthusiasm will carry into the home.

Panasonic unveiled its own line-up of high-definition 3-D televisions, which it plans to release in the spring, along with a 3-D-compatible Blu-ray player. LG announced last month that it aims to sell 400,000 3-D ready televisions in 2010 and 3.4 million units in 2011.

The challenge for Sony and the other electronics makers: persuading people to adopt 3-D so quickly after hundreds of millions of households just made the transition to high-definition video. Consumers will have to buy brand new televisions, which, according to some estimates, could cost between 10% and 20% more than the high-definition TVs currently on the market.

"A lot of stars are going to have to align over time before 3-D in the home can start breaking forth in any significant fashion," says Ben Bajarin, consumer-technology analyst at research firm Creative Strategies.

Perhaps no other company has as much to gain, or lose, from 3-D as Sony.

The company's digital projectors are used in 3-D movie theaters. Sony Pictures makes 3-D films. Sony's broadcast equipment will outfit new 3-D networks. The company's televisions and Blu-ray players will bring 3-D into homes. And its PlayStation 3 game console will play 3-D videogames. This summer, it plans to start selling its new televisions, a 3-D Blu-ray disc player and a free 3-D software update for its PS3 that allows people to play 3-D videogames and watch 3-D movies. It also plans to eventually introduce a 3-D digital camera, camcorder and Vaio computer.

With a reorganized company around him, Mr. Stringer aims to finally solve a lack of cohesion that he says has irritated him and slowed other companywide projects. In the past, Sony divisions haven't consistently communicated with each other. So, one might have been working on a new technology that the others weren't unaware of. Management has also been slow to capitalize on innovation.

Sony's 2008 victory in establishing Blu-ray as the next-generation DVD standard, for example, was delayed by its own electronics executives, who didn't want to push Blu-ray aggressively for fear of hurting their bottom line, according to people familiar with the matter.

Also, Sony's plan to easily deliver its content to its gadgets dawdled along for years as the entertainment and electronics teams struggled to coordinate strategies.

Whether it was **Apple** Inc. with music players, Samsung with televisions, or **Amazon.com** Inc. with e-readers, Sony has repeatedly been overtaken in businesses where it was once a leader.

In late August 2008, Mr. Stringer gathered top executives in Tokyo at a building adjacent to the Sony Museum. Mr. Stringer was emphatic that the company needed to be aggressive and devote its full resources to 3-D, according to people who attended the meeting.

Then-President Ryoji Chubachi, who was in charge of Sony's electronics business, responded cautiously. He said Sony needed to examine the various 3-D technologies and intellectual-property implications before rushing into the market, according to people at the meeting.

"Chubachi-san was definitely not as enthusiastic about 3-D as Howard," says one executive who attended the meeting. "There was no shouting, but there was clearly a difference in temperature."

Mr. Chubachi, an engineer who is measured by nature, and Mr. Stringer, an excitable former journalist, often had differing views, according to Sony executives who worked closely with both men. This time, Mr. Stringer wouldn't bend.

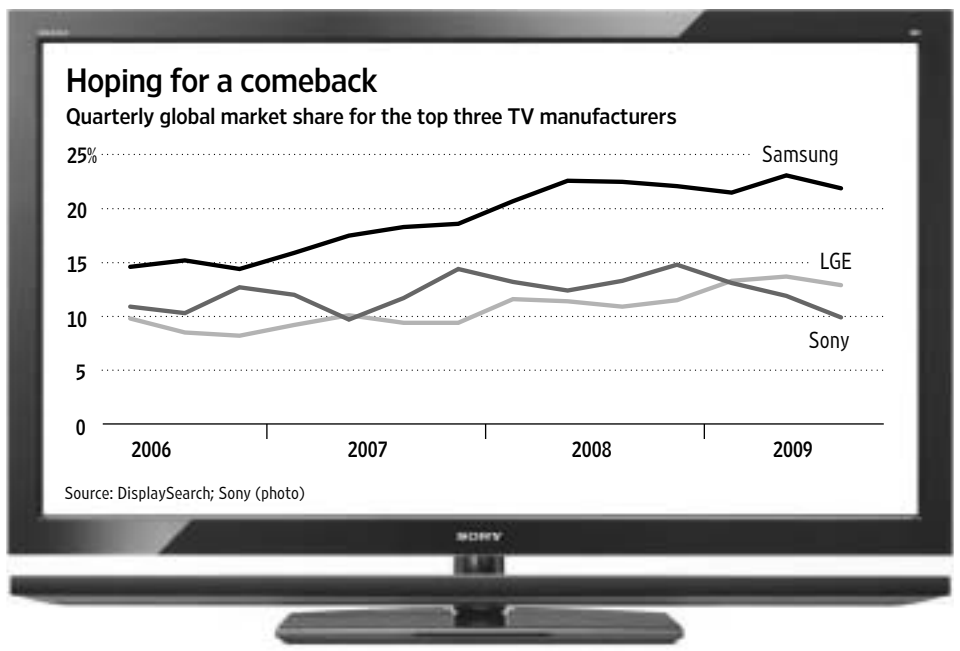
Through a company spokesman, Mr. Stringer and Mr. Chubachi declined to comment on the meeting.

At the time, Panasonic was ahead on developing a high-definition 3-D TV because it's the dominant player in plasma screens. Plasma technology could process complex 3-D images more easily and quickly than LCD, the other main flat-screen TV technology. Panasonic would demonstrate a mammoth 3-D television prototype at a conference several weeks later in what Mr. Stringer said was a "wake-up call" to Sony.

At the August meeting in Tokyo, Mr. Stringer put together a 3-D working group of Sony executives with members from the electronics and movie divisions.

Bloomberg News

Sony Chairman, President and CEO Howard Stringer is betting that 3-D technology will help unite his company's various divisions and push Sony into the top spot of the global TV business.



Akira Shimazu, who was chosen by Mr. Stringer to lead the new 3-D strategy office, says he had his doubts. He wasn't sure if Sony could commit to the initiative because of the teetering global economy, which only worsened after the collapse of Lehman Brothers a few weeks later. "The economy was so terrible, and I was wondering if Sony could spend money for this new movement," says Mr. Shimazu.

The downturn crippled Sony's electronics business, as the company reported its first annual loss in 14 years for the fiscal year ended March 31, 2009. Sony cut 20,000 jobs and said it would shutter nearly 20% of its factories. In February, Mr. Stringer said he would take over responsibility of the electronics business from Mr. Chubachi, who became vice chairman, and he installed a quartet of young, bilingual executives whom he calls "the four musketeers."

Mr. Stringer says the changes have sped up decision-making since he is working closer with the new team.

"There is a sense of excitement and ur-

Sony—Live in 3-D! | Key moments in Sony's drive to become a leader in three-dimensional technology

August 2008
Sony CEO Howard Stringer gathers Sony executives and instructs them to make the company a leader in 3-D.

October 2008
Panasonic unveils a 103-inch HD plasma display 3-D TV. Mr. Stringer says it's a 'wake-up call.'

November 2008
Sony settles on its 3-D display method, will also offer free 3-D software upgrade for PlayStation 3.

September 2009
Sony commits to a 3-D television by 2010. 'Cloudy With a Chance of Meatballs' opens and becomes surprise hit for Sony Pictures.

November 2009
Sony announces target of more than 1 trillion yen ($11 billion) in revenue from 3-D products in year ending March 31, 2013.

January 2010
Sony unveils line-up of 3-D televisions, Blu-ray player.

Summer 2010
Sony's 3-D TVs, Blu-ray player and PS3 software upgrade expected to become available.

Sony executives join other viewers wearing 3-D goggles at a Berlin trade show in September.

Sony

gency. I don't need to flash the whip anymore," said Mr. Stringer in a recent interview.

To speed up Sony's time to market, it broke from its historical preference for in-house technology by reaching a licensing deal with an outside supplier for an essential component of 3-D televisions. Sony said it will partner with RealD of Beverly Hills, Calif., on the battery-operated eyeglasses used with the TVs as well as the compression technology needed for 3-D broadcasts.

In the past, a partnership with a niche 3-D player such as RealD probably would have been dismissed in favor of a Sony-made alternative, because of a negative view of what Mr. Stringer calls "NIH," or not invented here, technology. But Mr. Stringer says getting to market quickly takes priority over making everything in house.

"It's important to Howard," says Sony's television head, Yoshihisa Ishida, before letting out a chuckle. "So that means it's important to me."

Sony Pictures executives have been flying out from Los Angeles to Tokyo once a month to provide tutorials on how Hollywood moviemakers are using 3-D. From those discussions, electronics engineers have been tweaking Sony's 3-D televisions to improve picture quality and color. Sony says this knowledge is helping to improve Sony's broadcast-quality video cameras and editing equipment. And executives are looking into cross-marketing opportunities, such as sending Sony 3-D movies like "Cloudy With a Chance of Meatballs" directly to its televisions.

While Sony's engineers plug away at the technical hurdles of 3-D, Mr. Stringer has been busy advocating the technology. An avid sports fan with season tickets to the New York Yankees and New York Giants, Mr. Stringer sees sports as a critical application for 3-D.

Sony agreed to be an official sponsor for a new, all-sports 3-D network from Disney's ESPN starting in June. The partnership "accelerated our foray into this business," says Sean Bratches, executive vice president of sales and marketing at ESPN. The network now plans to show at least 85 live sporting events in 3-D during the first year—including college football's 2011 Bowl Championship Series title game, FIFA World Cup soccer matches and X Games for extreme sports.

PGA Tour Commissioner Tim Finchem says he had heard promising reports about 3-D, but thought the technology was a few years away. In the fall, he began fielding regular phone calls from Mr. Stringer urging Mr. Finchem to visit Sony's Tokyo headquarters for a live demonstration.

Sony showed him several sports in 3-D. He imagined how the technology could be applied to golf: Viewers would be able to read the contours of a green, follow the trajectory of putts and watch pro golfers align their shots in a new way.

He was sold. Sony and the PGA Tour announced last month they will start shooting PGA Tour events in 3-D this year and will begin broadcasting tournaments in 2011.

The challenge for Sony and other electronics makers: persuading people to adopt 3-D so quickly after hundreds of millions of households just made the transition to high-definition video.

FROM PAGE ONE

Reuters

Japanese Finance Minister Naoto Kan, in a news conference Thursday, suggested he favored an exchange rate of about 95 yen to the dollar, a weakening of the currency below the current rate around 92 yen.

Kan backs weaker yen, more spending

Continued from first page

Mr. Kan has long been known as an iconoclastic leader willing to test political conventions. He follows a finance minister who came into office supporting the market's strong valuation of the yen and trying to impose some limits on government borrowing.

Finance officials generally avoid detailed discussions of exchange rates—and in particular try to avoid endorsing specific exchange values. But Mr. Kan suggested to reporters he favored an exchange rate of about 95 yen to the dollar, a weakening of the Japanese currency below the current rate around 92 yen.

"There are a lot of voices in the business world saying that [the dollar] around 95 yen is appropriate in terms of trade," he said. "From that perspective, I'll first examine various impacts that foreign-exchange-rate movements could have on the Japanese economy, and in cooperation with the Bank of Japan, I will make efforts to deal with individual cases in order to bring the exchange rate to appropriate levels."

While noting that the yen had already weakened in recent weeks, he added: "I'm hoping the correction will make a bit more progress, making the yen weaker."

Following Mr. Kan's remarks Thursday, the dollar rose a touch more than a yen from its level late Wednesday in New York, hitting a four-month high of 93.40 yen.

A strong yen hurts Japan's best-known exporters, by making their products more expensive abroad and reducing overseas profits in yen terms. **Toyota Motor** Corp., for one, predicts its operating profit will fall by 30 billion yen a year for every one-yen appreciation against the dollar. A strong yen also can worsen deflation by pushing down import prices.

On fiscal policy, Mr. Kan said his priority is stimulating growth, not reining in Japan's public debt level, despite the fact that public borrowing is the highest of the industrialized nations at 180% of gross domestic product.

"Looking at economic conditions" after the collapse of U.S. investment bank Lehman Brothers in September 2008, "I've never thought that tightening fiscal policy should be allowed," Mr. Kan said.

The benchmark 10-year Japanese government bond yield rose to 1.345% following Mr. Kan's comments, its highest mark since Nov. 16. The level compares with 1.330% at the start of Thursday's trading. Bond yields rise as prices fall.

Mr. Kan's exchange-rate remarks fueled speculation that Japan may intervene in currency markets for the first time since 2004. "It's a strong message, particularly for overseas players," said Hideaki Inoue, chief foreign-exchange manager at Mitsubishi UFJ Trust & Banking Corp. "Speculation is growing that the government will be more likely to intervene in the market" if the yen rises sharply.

While Mr. Kan's words had a noticeable impact on his first day in office, it is unclear he will be able to have any lasting impact on exchange rates.

"Talk is cheap, and I think in the end the financial markets will find it difficult to believe in [Kan] as a driving force behind any depreciation in the yen," said Yunosuke Ikeda, a senior yen strategist at Nomura in Tokyo.

With Japanese interest rates already very low, there is little scope for further monetary easing—an important component of a successful intervention strategy, Mr. Ikeda said.

What's more, he said, Japan would almost certainly be unable to clinch the international support it would need to take such a step. "The U.S. is very unlikely to accept a real intervention from Japan, especially as the U.S. dollar is now recovering and as the political relationship between the U.S. and Japan is worsening," he said. He said he expected the dollar to trade around a range of 85 yen to 90 yen throughout the year.

Mr. Kan's comments mark a change of tune from those of Mr. Fujii, who said at the start of his tenure that a weak yen is undesirable. They also highlight the difficulty the Japanese government faces in trying to improve the economy in the face of a strong yen that weighs on exports. The yen rose as high as 84.82 to the dollar in November, a 14-year high. It has weakened since then, but remains at a high level compared with recent years.

—Katie Martin in London contributed to this article.

China tightens credit amid inflation worries

Continued from first page

Even so, stocks are down 2.6% so far this year after Premier Wen made it clear in late December that inflation expectations are rising in China and that authorities stand ready to fine-tune monetary policies if needed, in reaction to such conditions. Analysts have debated whether the tone of a People's Bank annual policy statement on Wednesday should be regarded as a hint it was reconsidering a singular focus on promoting growth.

Analysts said the central bank's move on Thursday was noteworthy. "The sudden rise in the central-bank bill yield is in line with the PBOC's remarks yesterday, and I think it would allow the still very low yield to go up further in coming weeks," said Qu Qing, a bond analyst at Shenyin Wanguo Research & Consulting.

China's tightly managed yuan was little affected on Thursday, but derivatives on the currency traded overseas pointed toward expectations that it will rise. China faces growing international political pressure to boost the yuan's value against the U.S. dollar and other major currencies, to reflect its strong economy. A stronger yuan would give a lift to China's trading partners by making their exports more competitive in global markets and helping choke off inflation at home.

China flooded its economy with credit in response to the global financial crisis, rolling out a four-trillion-yuan economic stimulus program funded mainly by bank lending. Concerns have now shifted to prospects for inflation. The consumer-price index rose for the first time in 10 months in November, increasing 0.6% from the year earlier because of higher food prices.

Premier Wen, in an interview last month, expressed worry that the bank lending, while critical to supporting growth, was raising property prices and generating other signs of inflation expectations.

When the central bank lifted the yields Thursday in selling 60 billion yuan, or $8.8 billion, of three-month bills, it was doing so as part of a normal operation. The yield had been on an upward trajectory earlier in 2009, starting the year at 0.9560%, but it hadn't budged since August.

Mr. Qu, the bond analyst, said the yield shortly may rise to 1.5% in subsequent central-bank bill sales.

Technically, the bill sales themselves are related to management of China's exchange rate. The central bank sells bills to soak up excess cash in the banking system, created in part by the mechanism Beijing uses to keep the exchange rate in place.

In a related operation, also Thursday, the People's Bank drained a net 137 billion yuan from local money markets, another policy measure connected to the exchange-rate mechanism. It has withdrawn money from the system for 13 straight weeks and the latest move was its biggest drawdown in nearly three months.

Analysts described the adjustment of bill yields and the central bank's monetary drain as measures that are effective in crimping Chinese bank lending. They tug money away from the banks, but aren't as blunt as regular interest-rate increases in signaling the economic brakes have been applied. Another option for the central bank includes lifting the percentage of deposits banks need to put on reserve and not lend out.

"Mopping up excess liquidity via bill issues is still the most simple and flexible approach for the central bank," said Wang Yingfeng, an analyst at Shanghai Securities. "It won't hike policy rates unless it finds inflation has got out of control."

—Wang Ming in Shanghai and Terence Poon in Beijing contributed to this article.

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Shanghai project to resume

Billionaire Vincent Lo takes over twin tower hotel development that was halted in 2008

By James T. Areddy

SHANGHAI—More than a year after a twin tower hotel project here got snagged on a web of problems more complex than its iconic, honeycombed exterior, construction is finally about to restart.

The 30-floor project was designed as the gateway to Xintiandi, a faux-historic section of central Shanghai that boasts some of China's priciest real estate and is as popular with tourists as the riverside Bund. But since construction mysteriously stopped in mid-2008 just as the global financial crisis started to unfold, the off-white towers have looked more like question marks about Shanghai's ability to sustain the heady pace of development that has marked its recent years.

Now, a white knight has stepped up to revive the project: Xintiandi's developer, Vincent Lo. The Hong Kong billionaire originally owned 15% of the towers and has now agreed to take full control of the project through his private business group, according to his spokeswoman.

Mr. Lo is buying out the 85% owned by Leo KoGuan, an Indonesian-American software mogul who conceived the glitzy plaza. Terms weren't made public.

What prompted the construction halt has never been clear. But it involved a dispute between Mr. Lo and Mr. Leo. Neither has spoken about it.

The work stoppage coincided almost exactly with the global financial meltdown and sparked talk in Shanghai real-estate circles that Mr. Leo was rethinking his massive financial commitment. Well known until then for cruising through town in his Bentley, Mr. Leo appeared to drop out of sight.

In fact, money was never Mr. Leo's problem, according to people close to him. They cited as evidence his big stake in one of the U.S.'s largest and most successful private businesses, **SHI International** Corp., a major New Jersey software distributor he founded.

Instead, these people said, Mr. Leo merely wanted a fair deal in Shanghai.

A person who spoke recently with Mr. Leo about his decision to leave the project repeated that view this week. But Mr. Leo himself didn't respond to requests for comment.

A publicly available U.S. tax filing by Mr. Leo's charitable foundation suggests he still had deep pockets in 2008. The Leo KoGuan Foundation, already one of the largest single contributors to Chinese universities—some have named their law schools after him—boosted its giving, the filing shows.

That year, the foundation directed $1.15 million to Shanghai's Fudan University, $1 million to Shanghai Jiao Tong University and more than $1.4 million to Peking

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Bloomberg News

Vincent Lo's Shui On Group will restart construction of the Xintiandi project and plans to compelte it before the World Expo opens in Shanghai in May.

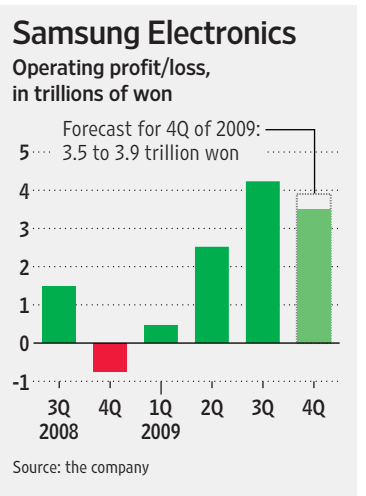
Samsung is expecting return to profit

By In-Soo Nam and Jung-Ah Lee

SEOUL—In the latest sign that the gadgets business is rebounding from the global economic slump, **Samsung Electronics** Co. said Thursday it expects to report a fourth-quarter operating profit of up to $3.45 billion compared with a year-ago loss, amid likely record-high sales.

Also Thursday, the world's biggest maker of memory chips and flat-panel TVs by shipments released details of its entry into the fast-growing electronic reader segment, saying its answer to Amazon.com Inc's Kindle and **Sony** Corp.'s Reader will sell for $399 or $699 depending on model, and will feature on-screen handwriting.

Samsung expects operating profit to come in between 3.5 trillion and 3.9 trillion South Korean won, compared with an operating loss of 740 billion won a year earlier. Samsung didn't disclose a net profit estimate. Consolidated sales likely came in between 38 trillion and 40 trillion won, up from 33 trillion won a year earlier, it said.



Samsung didn't provide an explanation for the earnings estimates and said the latest forecasts may differ from actual earnings because it hasn't completed an audit. The company is expected to announce actual numbers later this month.

For full-year 2009, Samsung said operating profit is expected to have risen 90% to 10.92 trillion won from 5.71 trillion won in 2008, while sales likely rose 15% to a record 136.05 trillion won from 118.38 trillion won. The better-than-expected estimates suggest that technology companies are rebounding from a bruising downturn in demand that began in 2008. As demand began to pick up from the second quarter of 2009, Samsung has seen its earnings steadily improve. Analysts expect the company to perform better in the current quarter, buoyed by the global economic recovery and a rebound in prices and demand.

"Demand for computers is rising and the prices of chips and flat-screen TVs will remain strong, boosting Samsung's profits again in the first quarter," said Greg Roh, an analyst at HMC Investment Securities. Samsung expects to sell 35 million liquid-crystal-display flat panel televisions this year, up from an estimated 22 million units in 2009.

Analysts said the recent rebound in memory-chip prices and LCD panels, combined with strong performances in Samsung Electronics' other businesses, helped the company turn around in the fourth quarter. In the final quarter of 2008, most of Samsung's key businesses were under pressure as the global slump hit prices and demand.

Also Thursday, the company said it will sell its first e-book devices, with six- and 10-inch screens, for $399 and $699, respectively. The devices, which will be available early this year, allow users to write directly on the display with a built-in electromagnetic-resonance stylus pen. Because the Samsung e-book's displays reflect light naturally and aren't backlit, their power consumption is lower, the company said.

—Kathy Shwiff in New York contributed to this article.

WSJ.com

Online Today:
See more on Samsung's technology at at **WSJ.com/Video**

GM chairman predicts profit for this year

By Sharon Terlep And Neal E. Boudette

General Motors Co. will make money in 2010, its chairman said Wednesday, a bold and surprising forecast for a business that exited bankruptcy proceedings just last summer and hasn't turned an annual profit since 2004.

"My prediction is we will be" profitable in 2010, Edward E. Whitacre Jr. told reporters at GM's Detroit headquarters, a sign of rising confidence that also sets a tough benchmark for the still-struggling car maker's employees. "Do we have obstacles in the way? Yes. But we have a good management team and a good plan in place."

Mr. Whitacre, who also took the chief executive title temporarily last month, said the company's new chief financial officer—Chris Liddell, who is joining GM from **Microsoft** Corp.—could "of course" be a candidate to become the company's CEO. But he added "that's up to the board" and noted the search for a permanent boss is still in its early stages.

Mr. Whitacre, who was named chairman by the Obama administration after the company's taxpayer-funded bankruptcy reorganization last summer, assumed the CEO job after Frederick "Fritz" Henderson quit the post under board pressure.

GM is also moving forward with plans to shut its Saab unit in Sweden since it is "not confident" it will find a buyer, Mr. Whitacre said. Saab is one of four weak brands GM is jettisoning.

Significant hurdles remain to repairing GM's bottom line, namely winning back tens of thousands of customers and improving the profitability of vehicles sold. But Mr. Whitacre's optimistic outlook is buoyed by an improving economy and rising U.S. vehicle sales in December. It also reflects a more aggressive tone for a company that had been renowned for its plodding bureaucracy and defensive posture.

When GM started piling up billions of dollars in losses in 2005, Rick Wagoner, its CEO at the time, stopped offering financial guidance. Mr. Henderson, who succeeded Mr. Wagoner last year, also offered few predictions on GM's financial performance.

GM has a good chance of making money this year as long as the economy stays on the mend, said Erich Merkle, an analyst at Autoconomy.com in Grand Rapids, Mich. "GM's sales are going to rise, and the macroeconomy will provide the tailwind it needs to return to profitability," Mr. Merkle said. "GM has been in restructuring mode and you can't underestimate the overhead and cost structure that has been taken out."

Mr. Whitacre's profit prediction

Please turn to page 15

Green cars may go slow in India

Auto makers show off environmentally friendly models, but market faces many hurdles

By Eric Bellman

NEW DELHI—**Toyota Motor** Corp.'s Prius and a number of other green-themed vehicles had their India debut at this week's New Delhi Auto Expo, but auto executives and experts agree it will be years before many people buy the cars.

Toyota said this week it would start selling its hybrid Prius, which runs on both gasoline and electricity, by the end of this year. India's largest auto maker, **Maruti Suzuki India** Ltd., unveiled its answer to the Prius on Thursday—an electric concept car called Eeco Charge that it won't mass produce until 2015, if ever.

India's **Tata Motors** Ltd.; South Korea's **Hyundai Motor** Corp.; **General Motors** Co., of the U.S.; and France's **Renault** SA also have electric or gasoline-electric hybrid vehicles on display here this week.

Hyundai brought in Bollywood superstar Shah Rukh Khan to unveil its electric car, the i10 Electric, at the Auto Expo, but the company doesn't expect to sell many.

"I don't think India is really ready for it," said Arvind Saxena, director of marketing and sales at Hyundai. "We don't have the infrastructure to use this car."

Vehicles like the Prius have become popular in developed countries. In the U.S., Prius sales in 2009 fell 12% from the year earlier to about 159,000 vehicles amid economic weakness. But it remains one of Toyota's most popular vehicles in the U.S.

Indian consumers are extremely price-sensitive, and few are willing to pay double the standard sticker price it can cost for a battery-powered vehicle.

Electric-car batteries likely would still be expensive and subject to India's high tariffs because they would come from abroad.

"The battery will end up costing as much as the vehicle itself," said Paul Blokland, director of Segment Y Automotive Intelligence Pvt. Ltd. a Goa-based automotive consulting company.

"Adding the green element just costs too much."

Analysts project that the Prius will cost more than $40,000 in India.

Bloomberg News

Maruti Suzuki India's Shinzo Nakanishi is shown with the company's newly launched Eeco electric concept car Thursday.

Few cities in India have regular power and few homes have parking spaces near electric outlets.

Regular blackouts make it tough to charge even a cellphone in much of India. Therefore, a battery-powered car is unlikely to sell well, analysts and industry executives said.

"You can bring in electric vehicles, that's fine. But where are you going to get the electricity?" said Pawan Munjal, managing director and chief executive of Hero Honda Motors Ltd., India's largest motorcycle maker.

Electric scooters and motorcycles have been on Indian roads for a few years.

After initial interest, sales of battery-powered two-wheelers have plunged over the last two years at two of India's top electric-two-wheeler makers, TVS Motor Co. and Electrotherm India Ltd.

Both companies combined sold about 12,000 battery-powered vehicles last year, down from 22,000 in 2008, Mr. Blokland said, amid concerns about cost and battery replacement.

When the price is right and regulations required it, Indians have embraced environmentally friendly options.

India has close to one million compressed-natural-gas vehicles on the road, mostly taxis and trucks. That makes it one of the largest users of CNG vehicles in the world, according to industry group Asian NGV.

Natural gas has worked in India because CNG vehicles are close to the same price as gasoline-powered ones.

It is also relatively inexpensive to switch a regular car or truck to CNG.

—Arlene Chang contributed to this article

WSJ.com

For more news on this week's New Delhi Auto Expo, including a slideshow of cars by luxury auto makers, go to India.WSJ.com.

Volkswagen posts 37% gain in China sales

By Patricia Jiayi Ho

BEIJING—**Volkswagen** AG retained its position as the biggest passenger-vehicle maker in China last year, though some of its rivals posted bigger growth in the nation.

The German auto maker on Thursday said its sales in the world's largest auto market hit a record 1.4 million units, up 37% from 2008, as Beijing's measures to support the car market boosted consumption.

Volkswagen's closest competitor in China, **General Motors** Co., said Monday its China sales, including Wuling microvans and microtrucks built by a joint venture, rose 67% to 1.83 million vehicles.

The companies' smaller rival in China, **Ford Motor** Co., said its sales in China from its local passenger-vehicle joint venture rose 55% to a record 315,791 units.

Overall car sales surged about 50% in China last year to 13 million vehicles, based on J.D. Power & Associates estimates. That compares with just over 10 million vehicles in the U.S.

The explosive growth in China helped prop up an ailing global car industry last year, but growth this year is expected to be more moderate.

Volkswagen expects the total auto market in China to grow at 10% to 15%, said Winfried Vahland, president and chief executive of Volkswagen Group China.

That forecast is more optimistic than the 5%–6% growth estimated by some analysts. China last year cut the purchase on small cars to 5% from 10%. The tax moves up to 7.5% this year.

Volkswagen's sales growth last year exceeded that of one of its other main rivals in the country, **Toyota Motor** Corp., which said Wednesday that its sales in China last year rose 21% to 709,000 units.

Sales of Volkswagen brand autos rose to 1.12 million units, up 32%.

Sales of the luxury Audi brand totaled 158,941 units, up 33%, and sales of its Skoda brand vehicles more than doubled to 122,556 units.

Volkswagen also sold 484 Bentleys and 118 Lamborghinis in China last year.

—Jing Jin contributed to this article.

INDEX TO BUSINESSES AND PEOPLE

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Corrections & Amplifications

Architect Rafael Viñoly was born in Uruguay and grew up and was educated in Argentina. He is now a U.S. citizen. A Tuesday Corporate News article about architects who worked on **MGM Mirage**'s City Center project incorrectly identified Mr. Viñoly as Argentine.

Baidu follows a Hulu model

Video site in China to offer licensed content amid stiff competition

By Aaron Back

BEIJING—Chinese search engine **Baidu** Inc. is entering a field that is quickly becoming crowded and highly competitive in China's online video market.

Baidu is launching a business unit that it envisions will work on a similar business model to Hulu, an advertising-supported video site in the U.S. that has licensed, copyrighted content from several television broadcasters.

Hulu, which isn't available in China, is jointly owned by **General Electric** Co.'s NBC Universal, **Walt Disney** Co. and **News Corp.** News Corp. also owns The Wall Street Journal.

"As the country's leading search engine, we'd like to grow in this space to meet our users' needs. We see large volumes of our users searching for high-quality licensed videos," said Ren Xuyang, vice president of marketing and business development at Baidu.

Baidu will be competing with many other companies considering the same market opportunity in China, such as online video-sharing sites Youku.com and Tudou.com.

"It is kind of a difficult market. There is lots of competition from other online video providers. Users may already be used to getting video from sites like Youku, and there is competition from pirated video as well," said Elinor Leung, an analyst covering Baidu at CLSA.

Agence France-Presse/Imaginechina

Baidu's competition will include video-sharing site Youku.com, above.

Baidu's Mr. Ren said the site will be differentiated because it will be the only site in China that solely offers licensed content, as opposed to user-generated content.

Youku and Tudou started out as video-sharing sites similar to **Google** Inc.'s YouTube, but recently have added more licensed content such as serial dramas and entertainment shows.

Last month, Youku said that about 70% of the content on its site is professionally produced and licensed from content partners.

YouTube is unavailable in China because of government censorship.

Competition also will include several mature Internet portals such as **Sohu.com** Inc. and **Sina** Corp., which are seeking to carve out a niche in the online video space.

Sohu, for instance, has offered online broadcasts of U.S. National Basketball Association games since 2006.

The large user base for Baidu's search engine may give it an advantage over rivals, and its data on user searches will give it the ability to target ads more precisely to users, J.P. Morgan analyst Dick Wei said in a note on Tuesday.

"I think there may be real advertising upside there, but maybe not very much in the near term," said CLSA's Ms. Leung.

Developer China Vanke posts weak sales growth

SHANGHAI—**China Vanke** Co. reported weak sales for last month, an early effect of Beijing's efforts to cool an overheated property market.

Vanke, China's biggest real-estate developer by market value, said its property sales increased 3% from a year earlier to 5.5 billion yuan ($806 million). Vanke's sales rose 47% in November.

Analysts attributed the sharp slowdown to Beijing's recent measures to rein in property prices.

"It looks like the property bubble is finally going to burst because Vanke's numbers suggest speculation has started easing," said Wu Jianxiong, an analyst at Central China Securities.

The company's sales increased 33% to 63.42 billion yuan for all of last year.

Vanke's shares closed down 0.8% at 10.28 yuan ($1.51) on the Shenzhen Stock Exchange.

Chinese property prices boomed last year despite a weaker economy, after Beijing introduced measures to support the property market as part of its late-2008 economic rescue package. Prices in the nation's more affluent coastal areas were especially strong.

Urban property prices in 70 of China's large and midsize cities rose 5.7% in November from a year earlier, accelerating from October's 3.9% increase, according to the National Bureau of Statistics.

November was the sixth consecutive month in which urban property prices advanced.

But as the Chinese economy has rebounded, policy makers have begun shifting their priorities to the risks of inflation.

China last month tightened land-sale regulations for developers. The measures included the first nationwide minimum down payment on land purchases from the government. The government also withdrew a favorable tax policy on the purchase of second homes.

Jiang Weixin, the minister of Housing and Urban-Rural Development, said in a prepared statement Wednesday that China will strengthen credit controls for purchases of second homes and curb speculation in the property market this year.

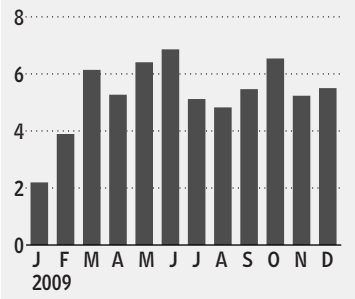
Fang Yan, an analyst at Guosen Securities, said he expects more measures targeting the real-estate market to be introduced this year.

Mr. Wu at Central China Securities said he expects transaction volume to remain weak early this year and for prices to start falling later in 2010.

—Jin Jing and Rose Yu

China Vanke

Monthly sales data, in billions of yuan



Source: the company

GM chairman predicts surprise profit

Continued from page 13

is based on a bet that consumer access to credit will improve and the job market will strengthen. Both are factors that sent car sales to historic lows in 2009. GM's sales plunged almost 30% in 2009.

While the U.S. economy's course is uncertain and job-creation remains sluggish, car makers are encouraged by improvements in home sales and pricing, two key drivers of auto sales. December saw the pace of auto sales hit the highest rate of any month in 2009 except for August, when the U.S. "cash for clunkers" rebates boosted vehicle sales.

Other auto makers are also optimistic. **Ford Motor** Co. reported almost $1 billion in net income in the third quarter and now expects to be "solidly profitable" by 2011, although it hasn't given a specific forecast for 2010. **Toyota Motor** Corp. and **Honda Motor** Co. recently brightened their financial forecasts for their current fiscal years.

Chrysler Group LLC, which like GM was restructured in a government-financed bankruptcy, has forecast it will break even in 2010 and make money in 2011.

In recent months, GM's U.S. market share has held steady even as its sales to rental-car companies and other fleet customers have fallen. Its share of "retail" sales to consumers through dealers has improved.

For taxpayers, Mr. Whitacre's optimism means the roughly $50 billion the U.S. loaned GM to keep it afloat stands a better chance of being repaid. The government converted most of that loan into a 60% equity stake. The U.S. can't cash out those shares until GM returns to the public stock markets, and it likely can't take that step unless it is on the road to profitability.

GM also owes the U.S. government $6.7 billion in cash. Mr. Whitacre reiterated his vow to repay that by the middle of the year.

Mr. Whitacre, a former chairman and CEO of AT&T Inc., told reporters that he and his management team worked out a business plan in December that calls for increased U.S. market share in 2010, and set targets for share, profit per vehicle and other measurements for all regions around the world. He promised to hold executives accountable for meeting their goals.

"We're in business to make a profit," he said. "We're in business to pay back the taxpayer."

The GM CEO also said the company needs to improve its government relations. Last month, Mr. Whitacre replaced GM's top lobbyist with two outsiders who had worked with him at AT&T. He said he was concerned GM wasn't viewed favorably by some in Washington.

GM executives planned to meet Thursday to discuss another unresolved issue: restructuring the company's Opel unit in Europe, Mr. Whitacre said.

During GM's search for a new finance chief, the auto maker considered only "people who could do more than finance," according to someone familiar with the situation. Several former CEOs of the auto giant held the top finance job before they entered the corner office.

Wednesday afternoon, Mr. Whitacre called GM's search firm, **Spencer Stuart**, and said he saw Mr. Liddell as a potential CEO someday, "but not now," said someone familiar with the situation. As a result, GM will continue to seek other candidates.

A Spencer Stuart spokesman declined to comment. Mr. Whitacre has said he may hold the acting CEO title for as long as a year.

—Joann S. Lublin contributed to this article.

How GM stacks up

Top five auto makers in the U.S. by 2009 vehicle sales, and change from year earlier

GM	TOYOTA	Ford	HONDA	CHRYSLER
2,063,069	1,770,149	1,615,799	1,150,784	931,402
–29.7%	–20.2%	–15.3%	–19.5%	–35.9%

Note: Data are preliminary

Source: Autodata

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CORPORATE NEWS: CONSUMER ELECTRONICS SHOW

Attendees upbeat at big tech show

Despite weak sales, new products give hope to consumer electronics companies at annual CES conference

By Don Clark
And Yukari Iwatani Kane

Reuters

A CES attendee wears a Scuba mask with built-in videocamera, made by Liquid Image, during a media preview for the conference in Las Vegas.

LAS VEGAS—There are conflicting signs about how good a year 2010 may be for the technology world, but attendees of this year's Consumer Electronics Show appear to be more upbeat than last year.

A bumper crop of new products, full hotel rooms and respectable crowds at the annual technology conference here are some of the most obvious differences from the CES held in January 2009, when the recession still seemed to be deepening.

Many consumer-electronics companies reported substantial improvements in the third quarter and say business continued to improve as the year ended.

"Compared with the same time last year, we feel much better," said Zhou Houjian, chairman of the Chinese electronics manufacturer Hisense Co. Ltd., which is sending more than 80 employees to CES this year, compared with 40 last year. "We feel the U.S. economy got a lot of new energy."

The economy hasn't been the only issue hanging over the industry. Its biggest growth drivers for the past several years—cellphones and high-definition televisions—are experiencing slowing sales growth.

The Consumer Electronics Association, the industry group that organizes CES, on Thursday projected world-wide industry sales growth of just 0.3%—or essentially flat with 2009, a year that saw revenue decline 2%.

But the organization is optimistic about products that could breathe new life into sales. Perhaps the hottest topic at CES this year is 3-D television and whether consumers who enjoyed movies in the format, such as "Avatar," would pay extra for a new TV adapted for such images.

The group estimates that 2.2 million 3-D sets will be sold in 2010 and that by 2013 more than 25% of all televisions sold will be 3D-TVs.

Another positive surprise has been devices that play Blu-ray discs. The association estimates that more than seven million of the players—many of which have Internet connections—shipped in 2009, more than double that of 2008.

And even though cellphone sales have slowed from their peak years, the group says it sees overall unit sales maintaining annual percentage gains in the single digits. In 2010, cellphones will for the first time surpass televisons as the largest single segment of the consumer-electronics industry, the association says.

As far as the show itself, the group's projection calls for 110,000 people—about flat with last year—which was well below the group's initial projection of 130,000. But Gary Shapiro, the association's chief executive, said last month that he would be surprised if attendance didn't surpass the forecast.

The shift between last year's gloom and this year's relative optimism is particularly apparent behind the scenes, said Jack Kang, a marketing director at chip maker **Marvell Technology Group** Ltd. He said the company's slate of meetings with customers and potential customers is in some cases double- and triple-booked. Last year, slots were easier to come by.

It is too early to judge the traffic on the show floor—which is open Thursday through Sunday—but industry watchers expect much to see.

"There will be more gadgets introduced this year than the last few years combined," says Richard Doherty, an analyst at the market-research firm Envisioneering Group.

—Jerry A. DiColo contributed to this article.

DIGITS

Insights from WSJ.com

Left to right: Tomohiro Ohsumi/Bloomberg; Asustek; Reuters/Mario Anzuoni

A Microsoft Slate

Steve Ballmer showed a slate-style computer during his Consumer Electronics Show keynote Wednesday night. But don't get too excited.

The device shown by **Microsoft**'s CEO, built by **Hewlett-Packard**, is not a bold response to Apple's expected tablet or Amazon.com's Kindle. It looked more like an extension of existing keyboardless designs that H-P and others have made with Microsoft's help since the 1990s. It runs Windows 7, for example, not some brand-new operating system.

The H-P device isn't related to a much eye-catching gadget called Courier, a Microsoft concept for a dual-screen, book-like electronic reading device.

Mock-up designs of Courier leaked onto the Internet in September and caused quite a stir, but that material was put together by a design firm working with Microsoft, and Courier isn't likely to become a product anytime soon, if ever, according to people familiar with the matter.

Mr. Ballmer's presentation also included other new hardware running Windows 7, including an ultrathin new desktop from Lenovo and a couple other tablet computers of various sizes. He also announced a deal that will feature the Bing search engine on H-P computers.

—Nick Wingfield

Asustek Gets Style

Asustek, best known as a maker of low-priced netbooks, pulled the wraps off some portables that were clearly designed to elicit oohs and ahs at CES. The most striking was a polished aluminum showpiece that looked like a piece of Bang & Olufsen stereo gear. Actually, that's a pretty close approximation: the laptop is the result of a collaboration with David Lewis, a design guru with the Danish audio company who helped dream up some novel features. Instead of one trackpad, between the user's hands, for example, the machine has two–one on each side of the keyboard. Not surprisingly, the laptop

dubbed the NX90 Bang & Olufsen ICEpower, also has two large speakers on each side of the screen to emulate surround sound. The price: $2,499.

—Don Clark

Bringing Out the Stars

Celebrities pop up each year at CES, with Tom Cruise, Stevie Wonder and Hulk Hogan making past appearances. This year is no exception—as long as you keep your definition of celebrity broad.

One of the boldface names already lighting up the Twitterverse is Lady Gaga. The pop star has her own line of headphones, but she'll be in Las Vegas with **Polaroid** to talk about a new line of imaging products.

Reality television will be represented, with "Real Housewives of New York" star Jill Zarin at fellow photo company **Kodak**'s booth. Soleil Moon Frye, best known for her role as Punky Brewster on the '80s TV series, will also appear with Kodak.

A handful of athletes will be at the Sharp exhibit, including baseball players Prince Fielder and Torii Hunter and Joba Chamberlain. Olympic runner Tyson Gay

(Sennheiser), NBA star Chris Mullin (Haier) and Olympic gymnast Shannon Miller (MommyTech TechZone) will also be in attendance.

Washington will also have some representation, with FCC Chairman Julius Genachowski attending a policy summit, Undersecretary of Education Martha Kanter at a technology discussion and even the Obama Girl, Amber Ettinger, at thestar-studded Kodak exhibit.

— Andrew LaVallee

CORPORATE NEWS

Cadbury looks to Hershey as knight

Board members at **Cadbury** PLC, resisting a hostile takeover bid by **Kraft Foods** Inc., have held talks with directors at **Hershey** Co. to encourage a rival offer, several people familiar with the matter said.

*By **Jeffrey McCracken, Dana Cimilluca** and **Ilan Brat***

The Cadbury board members have told the Hershey directors that they would support a bid by the Pennsylvania company, and they have provided some guidance on the kind of price that would draw board support, these people said.

In these talks, Hershey has sought direction from Cadbury and disclosed financial terms and the structure of a possible offer. Hershey has also inquired whether Cadbury would be open to selling certain assets, these people said. In response, Cadbury has provided "reasonable guidance without specifics," said one of the people.

"Cadbury wants a friendly deal, a white knight, as an option, so there are ongoing back-channel talks," this person said, adding that Hershey has been "pro-active" and initiated many of the conversations.

Cadbury board members and CEO Todd Stitzer have said publicly and privately that they see Hershey as a better fit than Kraft. At the very least, a Hershey bid could push Kraft to raise its own offer.

Conversations between the two sides have been going on for about a month, but they have become "more frequent and more open" in recent weeks, another of the people said. It's also possible that Italian chocolate company **Ferrera** SpA could team up with Hershey.

In December, Hershey's board formed a special committee of outside directors to examine an offer for Cadbury. Those directors don't sit on the separate Milton Hershey School & School Trust board, which has voting control over the publicly traded company. The conversations have gone on among board members, bypassing bankers and advisers to the companies, said three of the people familiar with the matter. It couldn't be determined which specific board members have been involved in the talks.

News on Tuesday morning that investor Warren Buffett, Kraft's largest shareholder, wouldn't support issuing new Kraft shares has "heartened" Hershey and its advisors in term of making a competitive rival bid, said another person familiar with the matter.

"It gives them conviction they can win, that Kraft now has fewer degrees of freedom than previously thought," said this person.

Another of the people familiar with the matter cautioned that the talks between Cadbury and Hershey aren't very detailed and that Cadbury prefers to remain independent.

According to U.K. takeover rules, should Cadbury open its books to Hershey as part of such discussions, it would have to do the same for Kraft. Kraft and Cadbury aren't currently in discussions over a friendly deal.

Representatives for Hershey and the Hershey Trust declined to comment.

Hershey faces some major obstacles if it bids for Cadbury. As a result of a Pennsylvania law enacted after an aborted $12.5 billion sale of Hershey to the Wm. Wrigley Jr. Co. in 2002, the Hershey Trust must get the state attorney general's approval for any transaction that could threaten the trust's control of Hershey.

Agence France-Presse/Getty Images

A protestor at the Cadbury factory in Birmingham, England,, last month.. Cadbury prefers to remain independent but sees Hershey as a better suitor than Kraft.

Kraft's CEO is put on the defensive with Cadbury

By Joann S. Lublin And Anjali Cordeiro

Irene Rosenfeld, chief executive officer of **Kraft Foods** Inc., made known her intent to buy **Cadbury** PLC back in September. But she failed to keep Warren Buffett, her biggest shareholder, on her side for an open-ended hostile pursuit of the British confectioner.

Ms. Rosenfeld saw her efforts take an unexpected turn Tuesday, when Mr. Buffett's holding company, **Berkshire Hathaway** Inc., said publicly it would vote against her plan to issue new stock to pay for a Cadbury acquisition and urged other shareholders to vote "No" as well.

According to a Rosenfeld acquaintance, the CEO alerted fellow board members Tuesday morning, just before Berkshire Hathaway, which owns 9.4% of Kraft, released a statement laying out its objection to the share-issue plan, which it fears is a "blank check." Some directors were shocked to hear about the critique from the investing guru, the acquaintance said.

The takeover attempt has shaped up to be the most ambitious—and diciest—move of Ms. Rosenfeld's three and a half years atop the giant U.S. food company. Her position will be tested Feb. 1, when investors vote on her plan to issue stock to fund the deal, currently valued at more than $16 billion.

Ms. Rosenfeld and Mr. Buffett have spoken frequently since she began the Cadbury takeover battle last fall, and she likely will reach out to him to discuss his latest objections, the acquaintance predicted.

Mr. Buffett declined to comment.

Kraft said Ms. Rosenfeld wasn't available for comment, but she released a prepared statement saying, "Our shareholders, including Warren Buffett, have said they'd like to see less stock in the offer. Cadbury shareholders have also expressed interest in seeing less stock, and more cash, in the offer. That's why we announced an additional cash component [Tuesday]....Our announcement was well-received by the market."

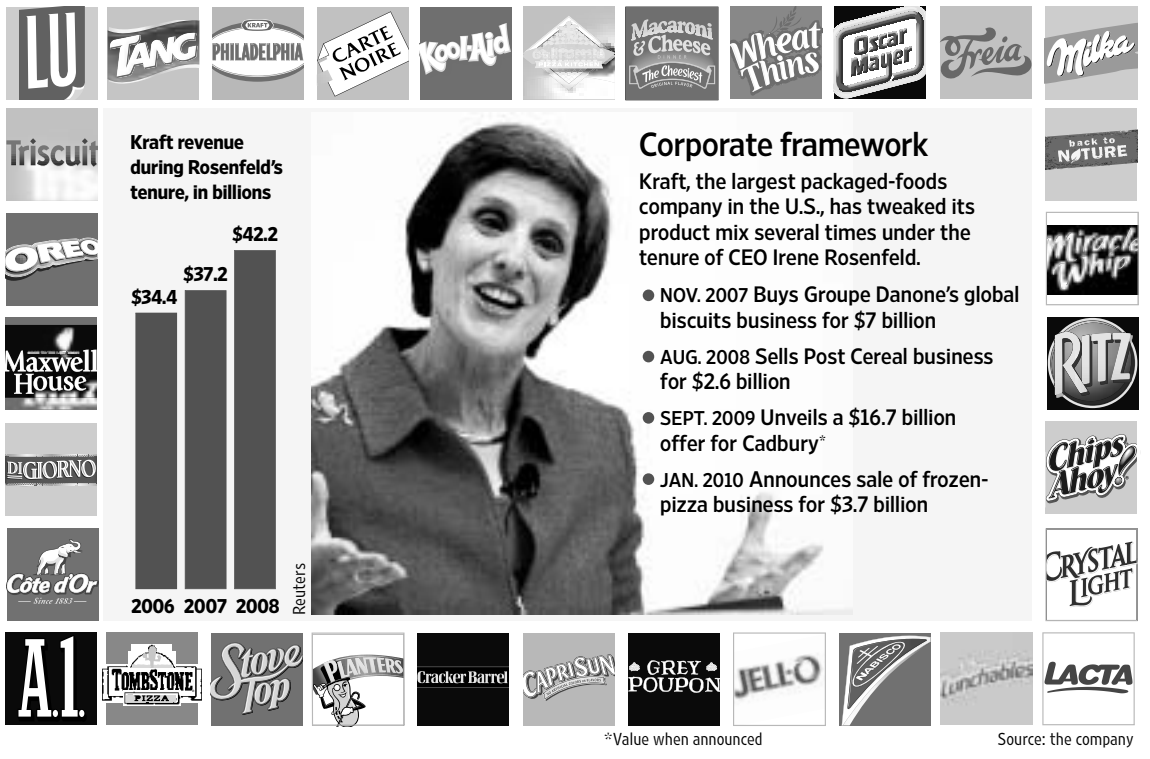
Kraft said it believes its shareholders will approve the issuance of shares needed to complete the transaction. Berkshire Hathaway has said if it decides at some point the offer does not destroy value for Kraft shareholders it will change its vote to "Yes."

On Tuesday, Kraft had said it was sweetening the cash portion of its bid—although not the overall total price—with the proceeds from a deal to sell off its frozen-pizza business to **Nestlé** SA for $3.7 billion.

Kraft shares have risen on Mr. Buffett's statement, which mitigated worries that Kraft might overextend itself to buy Cadbury. (A rival bid, such as from **Hershey** Corp., perhaps in conjunction with **Ferrero** SpA of Italy, could still surface.)

The 56-year-old Ms. Rosenfeld is a longtime Kraft veteran. She left Kraft in 2003 after being passed over for the post of co-CEO and went to PepsiCo Inc.'s Frito Lay unit the next year. Kraft brought her back as CEO in June 2006 to revive its flagging brands.

Recent results at Kraft—the largest packaged food company in the U.S.—have been mixed. The company benefited in the recession, as consumers shunned restaurants and stocked their pantries with Kraft offerings such as Oscar Mayer deli meats and Jell-O. But Kraft in November lowered its outlook for sales growth in 2009, partly because it couldn't keep raising prices, and still needs to build a bigger presence in emerging markets.


Kraft revenue during Rosenfeld's tenure, in billions
$34.4
$37.2
$42.2
2006 2007 2008
Reuters
Corporate framework
Kraft, the largest packaged-foods company in the U.S., has tweaked its product mix several times under the tenure of CEO Irene Rosenfeld.
NOV. 2007 Buys Groupe Danone's global biscuits business for $7 billion
AUG. 2008 Sells Post Cereal business for $2.6 billion
SEPT. 2009 Unveils a $16.7 billion offer for Cadbury*
JAN. 2010 Announces sale of frozen-pizza business for $3.7 billion
*Value when announced
Source: the company

CORPORATE NEWS

U.S. stores enjoyed holidays

Chain stores' sales for December rose 2.9% overall, helped by fewer drastic markdowns

By Karen Talley And Joan E. Solsman

Advance planning by U.S. chain stores paid off, allowing them to show improvements in December same-store sales and put the abysmal Christmas 2008 behind them. Based on better-than-expected holiday sales reported on Thursday many retailers raised estimates for fourth-quarter results.

Retailers approached the season with much less inventory and less-expensive merchandise. Some had also closed under-performing stores.

Overall, U.S. retailers' December sales at stores open at least a year rose 2.9%, much better than Wall Street's 2% projection, according to Thomson Reuters.

A range of retailers raised estimates, including **Macy's** Inc., discounter **Target** Corp., Victoria's Secret owner **Limited Brands** Inc. and teen retailer **American Eagle Outfitters** Inc. Retailers had set their sights low when they offered fourth-quarter outlooks during late fall.

NewsBloomberg Newss

A post-Thanksgiving holiday shopper picks out toys at a Wal-Mart in Denver, Colo. Retailers kept inventories tighter.

Promotions during this holiday season were more surgical and inventory planning was more rational than the panicked discount pricing that set in last year.

Unusually cold weather and big snowstorms along the East Coast were a curveball, but stores seemed to compensate for lost traffic from weather with online sales and strong business in the post-Christmas week. Macy's online sales were up 29%, for example.

The improved sales, though coming off of very poor figures in 2008, do show that some retailers are beginning to increase their top lines.

"You could say we're bouncing along the bottom with some marginal upside," said Doug Conn, managing director at Hexagon Securities. "Companies are still in transition and dealing with this new economy and consumer."

This December's results follow last year's 3.6% drop, excluding **Wal-Mart Stores** Inc., according to Thomson Reuters. Wal-Mart stopped issuing monthly sales figures in May. Last year's drop made this year's comparisons easier.

While many retailers beat expectations by a wide margin, some still seem to be coming to grips with the economic downturn. **J.C. Penney** Co. same-store sales dropped 3.8%, although that was in line with analysts' projections. While other retailers saw improvement in housewares such as towels and small appliances, Penney said its home category experienced the weakest sales during December. **Barnes & Noble** Inc. lowered its third-quarter forecast on Thursday, citing weak holiday sales.

Among more generalized apparel sellers, those with a focus on value performed best. **TJX** Cos., which buys items below wholesale price and sells them at steep discounts at its T.J. Maxx and Marshalls stores, posted a 14% same-store sales rise, more than double analysts' expectations. It raised earnings guidance. **Gap** Inc.'s and **Limited Brands** Inc.'s sales didn't quite achieve analysts targets, but results were good enough for Limited to boost its quarterly earnings guidance.

Department stores beat views across the board, with **Saks** Inc. and **Nordstrom** Inc. particularly standing out in spite of their reputation for higher-priced goods, posting 9.9% and 7.4% sales increases, respectively. Saks has been taking steps this year to not only cut inventory, but introduce less-pricey merchandise.

BJ's Wholesale Club Inc. posted a 2.7% increase excluding gasoline sales, and the company said the growth would have been double that absent the mid-December snowstorm that socked the eastern U.S. Larger rival **Costco Wholesale** Corp. had a 2% rise in the U.S. minus gasoline. Unadjusted global same-store sales rose 9%, topping expectations. Target surprised Wall Street with comparable-sales growth last month after two months of year-to-year declines and said its fourth-quarter profit would beat expectations, too.

Teen and child retailers performed well, with the exception of **Abercrombie & Fitch** Co. Analysts had worries that the company's eagerness to discount this year—after keeping up an institutional bias to avoid promotions well into the recession—would hurt the retailer. Its same-store sales dropped a worse-than-expected 19%, on top of a 24% drop the previous year.

On the other hand **Buckle** Inc.'s 6.6% increase beat expectations in spite of a difficult comparison with the prior-year period, when it had double-digit sales growth. The company has been posting revenue and comparable-sales gains throughout the recession. **Aeropostale** Inc., another strong performer in the space, boosted its quarterly profit view.

Sears Holdings Corp. set its fiscal fourth-quarter earnings estimate well above analysts' expectations, as it reported same-store sales growth last month thanks to strength at Kmart. Sears is now trading over $100, at a 52-week high.

ArcelorMittal expects to build South India plant

By Rajesh Roy and Ankur Relia

NEW DELHI—**ArcelorMittal** is likely to sign an initial pact with the southern Indian state of Karnataka to set up a six-million-ton steel plant, Sudhir Maheshwari, a member of the group's management board, said Thursday.

Karnataka's minister for large and medium industries, Murugesh Nirani, said the company is also likely to set up a 750-megawatt power plant. The proposed project is likely to employ 10,0000 people.

ArcelorMittal's Karnataka facility is expected to spread over 1,600 hectares, with an estimated investment of 300 billion Indian rupees ($6.6 billion).

Earlier in the day, ArcelorMittal Chairman Lakshmi Mittal told reporters that although he is unhappy about delays to the company's two continuing steel-plant projects in India, it isn't abandoning them.

"We hoped we could have made more progress than what we have achieved so far," Mr. Mittal said at a social event in New Delhi. However, ArcelorMittal, the world's largest steel manufacturer by output, is "very interested in India."

The company plans to invest a total of $20 billion to $25 billion to build a steel plant in each of the eastern states of Jharkhand and Orissa.

The plants, expected to have an annual capacity of 12 million metric tons each, are due to start operations in 2014. However, ArcelorMittal has been struggling to secure the land it needs to set up the facilities because of opposition from local residents and slow-moving state governments.

Mr. Mittal said the company will continue to work on the projects and that it isn't planning to shift the sites or cut production-capacity plans.

"We are discussing [the possibility of] setting up steel plants with various [Indian] states," said Mr. Mittal.

After more than a year on hold, Shanghai hotel project to resume work

Continued from page 13

University in the Chinese capital, funding the gifts in part by selling shares in China Mobile Ltd. and China Unicom (Hong Kong) Ltd.

For go-go Shanghai, completion of the tower project would erase skyline blight.

The two buildings, skeletal with off-white exterior membranes and dark inside, appear to lurk over the entrance of the otherwise lively Xintiandi neighborhood. Over the past year, people familiar with the matter say, Shanghai's government pressed the parties to reconcile or find a third-party buyer; officials were apparently concerned that visitors to this image-conscious city might get a bad impression during an upcoming World Expo.

This week's statement said Mr. Lo's privately owned **Shui On Group**, which will own all shares in the project and was already responsible for construction, will restart work immediately and complete it before the Expo opens in May.

All along, two hotel-management companies have remained publicly committed to operating five-star properties on the site, including one to be managed by Dubai's **Jumeirah** LLC. A company Web site shows it will feature a wedding-cake-shaped glass enclosure for parties. Another hotel, under the **Hilton Hotels** Corp. brand Conrad, promises a design that pays homage to China's Han Dynasty.

Jindal cuts stake in Australian takeover target

By Elisabeth Behrmann

SYDNEY—**Jindal Steel & Power** Ltd. sold part of its stake in takeover target **Rocklands Richfield** Ltd., causing shares in the Australian coal producer to drop and complicating a tussle between the Indian company and a Chinese rival for control.

According to a notice filed Thursday with the Australian Securities Exchange, Jindal's holding in Rocklands was reduced to 13.6% on Tuesday from 16.4% on Dec. 2. This follows Jindal's purchase of shares in the open market in November and early December.

Rocklands Chief Executive John Girdlestone said he was "equally surprised" about Jindal lowering its stake and said Rocklands was seeking clarification.

"We are already in the process of organizing a meeting with Jindal in New Delhi after Jindal matched Meijin's offer," Mr. Girdlestone said, adding that a meeting is likely early next week.

"It's a complicated deal and we are not commenting on this at all," said a Jindal senior executive.

Jindal is locked in a bidding war with China's **Meijin Energy Group** over Rocklands. Just this week, Jindal matched the latest takeover offer from its Chinese rival, offering 56 cents a share, valuing Rocklands at 197 million Australian dollars (US$181.3 million).

Rocklands shares fell 16% to 37.5 Australian cents.

The Jindal executive didn't elaborate on what the company intends to do in case Meijin increases its bid for Rocklands.

Jindal is a cash-rich company that is keen on acquiring coking coal assets for the growing steel-production capacity in India.

It wasn't clear Thursday whether the Australian government might have been involved.

According to Australia's Foreign Investment Review Board, the government considers a stake above 15% a substantial foreign interest. A government spokesman declined to comment.

Meanwhile, Mr. Girdlestone stated that Meijin hasn't contacted Rocklands since Jindal matched its bid.

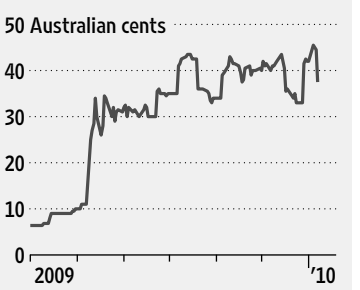
The bidding over Rocklands comes as Chinese and Indian companies have been seeking to secure everything from oil to coal to food to fuel their rapidly growing economies.

Australia, in particular, has been an active area for Chinese investment, though a number of efforts have met with regulatory hurdles.

—Prasenjit Bhattacharya in New Delhi contributed to this article.

Rocklands Richfield

Daily share price, Thursday's close: 37.5 Australian cents, down 16%



Source: Thomson Reuters Datastream

MARKETS

Investors snap up Philippine bonds

Nation pays only a small premium as it raises $1.5 billion; oversubscribed issue bodes well for Indonesia, Vietnam

By Ditas Lopez And Cris Larano

MANILA—The Philippines had to pay only a small premium over the yields of its existing global bonds as investors leapt at its $1.5 billion offering, helping contain its borrowing costs despite a record budget deficit, and underlining investor hunger for new issues out of Asia.

Demand for the global bonds—the first from Asia this year—outstripped the new offering by more than six times. This bodes well for issues planned by Indonesia and Vietnam in the coming weeks. It could also encourage other countries to tap the offshore market to fund budgets strained by generous spending aimed at stoking economic recoveries.

"The transaction was heavily oversubscribed, highlighting the continued global investor support and allowing us to raise a full $1.5 billion across both tranches, further deepening the liquidity of the existing bonds and extending the duration of the Republic's borrowings," Treasurer Roberto Tan said in a statement.

The government will use the proceeds to help pay for infrastructure and reconstruction efforts following a series of natural disasters last year, Finance Secretary Margarito Teves said in the same statement. Finance Undersecretary Rosalia De Leon didn't rule out another global bond offering later in the year, saying it would depend on the budget deficit.

The $1.5 billion deal attracted about $10 billion in demand, led by a strong domestic and Asian demand, people familiar with the transaction said.

Barclays Capital, Deutsche Bank and HSBC were in charge of the sale.

In the coming weeks, Indonesia is set to raise $3 billion to $4 billion via global bonds while Vietnam aims to raise $1 billion by selling long-term bonds. Malaysia is also expected to return to the market after a break of several years.

Manila sold $650 million more of its existing January 2020 bonds at 106.25 to yield 5.674% and $850 million more of its existing October 2034 bonds at 96.50 to yield 6.664%, according to a term sheet. The sale brought the outstanding 2020 issue to $1.4 billion and the outstanding 2034 issue to $1.85 billion.

The bonds rose in the secondary market. By Thursday morning, the 2020 bonds were trading at 107, while the 2034 bonds were trading at 97, said a Manila-based trader.

The pricing represents a new-issue premium of only 0.01 to 0.02 percentage point for the 10-year bond and 0.05 to 0.06 percentage point for the 25-year paper, said a person familiar with the deal.

In comparison, the $2 billion 30-year bond sale this week by similarly rated Turkey had a premium of 0.11 percentage point, which was already tight, the person said.

Yields have fallen over the past months as investors' appetite for risk swells on hopes of a sustained global recovery in the economy and markets.

In January last year, the Philippines paid a premium of 0.20 to 0.22 percentage point over its existing 10-year bonds when it raised $1.5 billion with a June 2019 bond, according to people familiar with the deal at that time.

The strong demand for the latest offering that enabled the government to borrow at a lower cost than last year is important as the country grapples with its largest budget deficit ever, projected to reach 293 billion Philippine pesos ($6.4 billion) this year compared with an estimated 290 billion pesos in 2009, and anticipated political risk associated with the May presidential elections.

Of the 2020 bonds sold, 23% were placed with investors in the Philippines, 25% in the rest of Asia, 35% from the U.S., and 17% from Europe, the government said. Of the 2034 bonds, 19% went to the Philippines, 21% the rest of Asia, 40% U.S. and 20% Europe.

The government's latest foray in the global-bond market may not be its last this year.

Based on its revised foreign-commercial borrowing program, the government needs another $1 billion for this year, which it could raise through its planned yen-denominated bond sale in Japan.

"We are looking at various options" to raise the remainder of the foreign-commercial borrowing requirements for 2010, Finance Undersecretary Ms. De Leon said in a telephone interview.

"Based on the program, the $1.5 billion is the last global-bond sale for this year," she said. Whether there are any additional trips to the global market this year "will depend on the budget deficit."

Analysts said revenue collection over the past year has continued to disappoint, which doesn't bode well for meeting the deficit target. Tax collection in 2009 fell 4.4% and was 7% below the target amid the economic slowdown.

"Hence, we think the Philippines will need to come back to the international bond market during the year to finance the deficit, with total issuance likely to be at least around the $3.25 billion that was raised in 2009," said a credit commentary from the sales and trading desk at Nomura.

—Riva Froymovich in New York contributed to this article.

Small banks say mortgage-bond cure hurts

By Leslie Scism And Maurice Tamman

Regulators are requiring many small banks to set aside extra capital because of an unusual mortgage-bond shopping spree that began as housing-market trouble was brewing.

Many of the bonds got reduced to "junk" status by credit-rating firms as homeowners' mortgages began to default in growing numbers, causing expected losses in the bonds. But some banks say their bonds will eventually turn a profit despite grim ratings. The extra capital requirements, some bankers say, are an unnecessary burden that will crimp their ability to lend.

Thomas Page

The tension between the banks, based in places like Milford, Neb., and Wichita, Kan., and their regulators comes amid wider worries among bankers that the government will impose steeper capital requirements across the industry.

Regulators are concerned that banks don't repeat their past mistakes. Memos that the Federal Deposit Insurance Corp. has sent to banks show it is broadly concerned that some bankers accepted sales pitches without understanding the risks.

Some banks counter that they can't do their best to boost the economy with one hand tied behind their backs.

"They want to force you to take your medicine all at once, and, at the same time, they want you to go out and make a bunch of new loans," says Thomas Page, president of **Emprise Bank** in Wichita, with $1.3 billion in assets. "You can't have it both ways."

While regulators say the bonds themselves may be suitable for some sophisticated investors, the issue is whether small banks should have been buying them, particularly at that time.

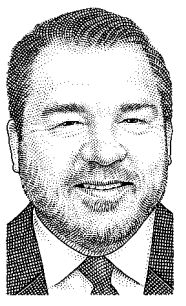
John Munn, director of the Nebraska Department of Banking and Finance, says there is "just a very, very narrow door" through which a small bank would be able to successfully argue to regulators that it has the expertise to assess independently complex mortgage bonds. So far, he says, there is "not a widespread concern" that lending is being hurt by the regulators' approach.

These small banks began barreling into the bonds around mid-2007.

U.S. banks with less than $10 billion in assets bought more than $4 billion of nonconventional mortgage bonds from June 2007 through the end of 2008, according to a Wall Street Journal analysis of regulatory filings made by banks to the FDIC.

Banks with less than $1.5 billion in assets boosted their holdings by 78%. Nearly 190 of these banks had more than 50% of their capital in these bonds at the end of 2008.

"I still view these things as a once-in-a-lifetime situation" in terms of being a smart investment, says Gerry Dunlap, the third generation of his family to run **Farmers & Merchants Bank** in Milford, with $425 million in assets, referring to some residential-mortgage bonds he bought.



Richard Berg

Mr. Dunlap and many other small-town bankers bought the mortgage bonds from **Performance Trust Capital Partners**, a Chicago broker. Performance Trust is well-known among small banks for its bond-math courses—called Performance Trust University—held in hotels around the country. Other firms also sold the mortgage bonds to banks across the country.

Performance and other brokers were drawn to the bonds as credit-crisis turmoil led to price dips and as hedge funds, trying to conserve cash, shed bonds.

Richard Berg, a co-founder of Performance Trust and its chief executive, says he believes the bonds' potential risk is offset by other factors. He says his team concluded that the price discounts from the forced selling on Wall Street, combined with structural features of the bonds, meant that "a whole lot of bad had to happen" before an investor would be burned.

He adds that banks that are able to hold the highest-quality bonds long-term will end up earning more than from U.S. Treasurys.

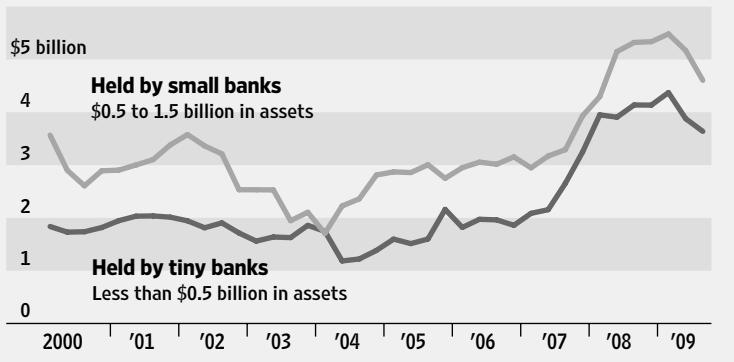
Back in late 2007, housing prices had begun sliding and delinquencies were rising among higher-quality homeowners. As the economy subsequently imploded and housing prices fell more than in the Depression, credit-ratings firms downgraded thousands of mortgage bonds to junk.

Performance Trust says only a few of its small-banks clients—fewer than 50 out of several hundred—bought the bonds in amounts that exceeded their capital. "Because our customers have pain, we have pain," says Mr. Berg. "Everybody in this firm feels their pain."

Some banks say Performance isn't responsible for their problems. "It's easy for a salesperson to say, 'I sold it to you. You own it. Now you're on your own,' " says Mike Comer, an executive at **Citizens National Bank** in Sevierville, Tenn. But Performance is "hanging right with us." Mr. Berg, for instance, last year testified before a congressional panel about the limits of bond ratings that reflect the risk of a loss but not the expected size of loss.

Several dozen banks contributed about $5,000 apiece to create a shoe-string-budget lobbying group that met with federal regulators in September to raise concerns about regulatory reliance on ratings.

Spree | Banks' private-label home-mortgage bonds



Source: WSJ analysis of FDIC data

They note, for example, that state insurance regulators have stopped using credit-rating firms' letter grades for evaluating home-mortgage bonds held by insurance companies, citing the limitations of the ratings.

Hoping to win over regulators, some bankers scrambled to show they were on top of the situation. Some subscribed to analytical services and bought new spreadsheet software capable of massive computations.

In September, Mr. Dunlap, the Nebraska banker, stuffed materials he prepared about his then-$74 million of mortgage bonds into a bag with a Performance Trust logo for a meeting with state and FDIC regulators, he says. But he changed bags, worried that regulators would view him as being too cozy with Performance. In anticipation of higher capital standards, he sold some of the downgraded mortgage bonds in December.

In Kansas, Emprise Bank's Mr. Page hoped his FDIC regulators "would sit down and have a conversation about the economic reality" of each junk-rated mortgage bond owned by Emprise. The bank has written off two subordinated bonds, but Mr. Page still expects to earn a positive return on the overall portfolio, which topped $100 million at its peak size. The return, he said, "will be lower than we anticipated when we bought them, but still positive."

The FDIC, he says, required the bank to allocate an extra $9 million to support the bonds. Some of the extra capital was obtained as the bank's loan portfolio shrank to $800 million from $840 million a year ago, he says.

FDIC spokesman Andrew Gray says the agency has been concerned about banks buying complex securities without understanding the risks.

"Some institutions have invested in structured products in volumes representing concentrations of capital," he said. "In some cases, significant purchases were initiated after the credit market turmoil began."

Mr. Page says the bank originally bought the bonds amid frustration "with our ability to grow our loan portfolio significantly.

We were looking for an investment in between our traditional lending and traditional securities portfolio."

MARKETS

Treasury prices decline; claims leave little mark

By Michael S. Derby

NEW YORK—U.S. Treasury prices were in negative territory Thursday morning and didn't show much reaction to a report showing a small gain in those claiming unemployment benefits.

U.S. CREDIT MARKETS

Market participants offered diverse reasons for the drop in prices, with some saying China's announcement that it will allow a gradual appreciation of its currency, the yuan, was a negative.

The increases in the number of U.S. workers filing new claims for jobless benefits didn't leave much of a mark, given that Friday brings the December nonfarm payrolls report. The government reported Thursday first-time claims for unemployment insurance moved up by 1,000 to 434,000 in the week ended Jan. 2, against the expectation they would rise by 8,000.

The four-week average of new claims declined for its 18th straight month, ebbing by 10,250 to 450,250, the lowest level since Sept. 13, 2008. Continuing claims also fell.

In late-morning trade, the 10-year Treasury note stood at 96 14/32, down 2/32 to yield 3.8118%. The 30-year Treasury was down by 1/32 at 95 7/32, yielding 4.6733. The two-year slipped 2/32, for a yield of 1.0160%.

Schwab cuts trade fees

By Brett Philbin And Tess Stynes

NEW YORK—**Charles Schwab** Corp. is reducing its trading commissions by $4 a trade, sending shares of the discount broker and its rivals lower as investors digested the possibility of a pricing war.

Schwab, the largest U.S. discount broker by market capitalization, projected that the changes could reduce first-quarter revenue by $15 million to $20 million, or as much as 2% of typical quarterly revenue.

The news sent shares of Schwab down 51 cents, or 2.7%, to $18.83. Shares of rivals **TD Ameritrade Holding** Corp. declined 3.5% to $18.91, and **E*Trade Financial** Corp. was off 2 cents at $1.77.

Schwab plans to charge all individual investors $8.95 an online trade starting Jan. 19; currently, those with a balance of less than $1 million and fewer than 120 trades a year are charged at least $12.95. Nononline trades will see commission reductions as well.

A TD Ameritrade spokeswoman said the company has "no plans to change our pricing structure." An E*Trade spokeswoman didn't respond to a request for comment.

Dollar rallies as yen, pound and euro slide

By Bradley Davis

NEW YORK—The dollar gained as Japan's new finance minister spoke in favor of a weaker yen, poor retail-sales data hit the euro and the latest twist in U.K. politics hurt the pound.

CURRENCY MARKETS

Better-than-expected news on U.S. weekly jobless claims aided the dollar as well, lending support to to the idea that the U.S. economy is continuing to emerge from the doldrums.

Investors are now looking toward Friday's U.S. nonfarm payrolls numbers as a gauge of whether recent U.S. economic improvements have continued.

"The string of better-than-expected employment data continues unabated in the United States," said Andrew Busch, global foreign-exchange strategist for BMO Capital Markets in Chicago in a note to clients. "This translates into market expectations for a positive" nonfarm payrolls report.

Late Thursday morning, the euro was at $1.4317 from $1.4412 late Wednesday. The dollar was at 93.19 yen, from 92.39 yen, while the euro was at 133.42 yen, from 132.99 yen. The U.K. pound weakened to $1.5913 from $1.6022. The dollar was at 1.0341 Swiss francs, from 1.0274 francs.

The dollar rallied sharply in Asian trading after Naoto Kan, Japan's new finance minister, said he wants the Japanese currency to weaken a bit more and that he would cooperate with the central bank to guide the yen exchange rate to "appropriate" levels.

The euro fell on news that eurozone retail sales fell by 1.2% in November. This was not only the steepest monthly drop on record but was also much weaker than the consensus forecast for a 0.3% rise.

In the U.K., news that two former cabinet ministers tried to organize a secret ballot on Gordon Brown's leadership sent the pound reeling.

Their tactics were seen as undermining the prime minister ahead of a general election that is expected to be called in May.

—Nicholas Hastings in London contributed to this article.

FUND SCORECARD

Asia-Pacific ex-Japan Equity

Funds that invest at least 75% of assets in Asia Pacific countries, but less than 10% in Japan. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending January 07, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
2	**Nestor Fernost Fonds**	Nestor Investment Management S.A.	EUR	Luxembrg	**4.02**	132.50	-8.87	20.38
NS	**Macquarie Asia New Stars Fund A1**	Macquarie Funds Management HK Ltd.	USD	Cayman Isl	**2.09**	116.93	-5.35	NS
3	**Carlson Asian Small Cap A**	Carlson Fund Management Company S.A.	EUR	Luxembrg	**3.14**	109.55	-20.56	14.57
2	**SEB Choice Asia Small Caps ex Japan C**	SEB Asset Management S.A.	SEK	Luxembrg	**4.13**	107.47	-5.62	13.31
1	**United Asian Growth Opp**	UOB Asset Management Ltd	SGD	Singapore	**1.75**	107.41	-15.35	NS
2	**HSBC GIF Asia ex Jap Eq Sm Co A**	HSBC Investment Funds (Luxembourg) S.A.	USD	Luxembrg	**3.34**	104.91	-4.94	14.97
2	**JF Eastern Smaller Companies**	JF Asset Management Limited (HK)	USD	Hong Kong	**3.04**	104.18	-10.64	9.72
4	**Scottish Oriental Smaller Co**	First State Investments (UK) Ltd	GBP	United Kingdom	**2.08**	103.77	2.66	17.93
2	**DWS Invest Asian Small/Mid Cap FC**	DWS Investment S.A.	EUR	Luxembrg	**3.64**	101.01	-7.55	NS
NS	**T. Rowe Price Asian ex-Japan Eq I**	T. Rowe Price Global Inv. Services Ltd	USD	Luxembrg	**3.13**	100.29	-8.55	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	01/05	EUR	55.64	1.8	17.9	-27.0
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	01/06	USD	10.64	2.6	25.6	-12.5
Am Eq Blend B	US	EQ	LUX	01/06	USD	9.99	2.5	24.3	-13.4
Am Growth A	US	EQ	LUX	01/06	USD	31.83	1.9	35.0	-3.7
Am Growth AX	US	EQ	LUX	01/06	USD	34.36	1.9	35.8	-3.2
Am Growth B	US	EQ	LUX	01/06	USD	26.76	1.9	33.6	-4.7
Am Growth C	US	EQ	LUX	01/06	USD	28.79	1.9	34.3	-4.1
Am Growth I	US	EQ	LUX	01/06	USD	35.28	1.9	36.1	-3.0
Am Income A	US	BD	LUX	01/06	USD	8.49	0.7	24.9	5.6
Am Income A2	US	BD	LUX	01/06	USD	19.20	0.8	25.0	5.6
Am Income A2	OT	OT	NA	01/06	HKD	148.88	0.8	NS	NS
Am Income AT	OT	OT	NA	01/06	HKD	65.76	0.8	NS	NS
Am Income AT	US	BD	LUX	01/06	USD	8.48	0.8	25.1	5.6
Am Income B	US	BD	LUX	01/06	USD	8.49	0.7	23.9	4.8
Am Income B2	US	BD	LUX	01/06	USD	16.54	0.8	24.1	4.8
Am Income B2	OT	OT	NA	01/06	HKD	128.26	0.8	NS	NS
Am Income BT	OT	OT	NA	01/06	HKD	66.14	0.8	NS	NS
Am Income BT	US	BD	LUX	01/06	USD	8.53	0.8	24.1	4.9
Am Income C	US	BD	LUX	01/06	USD	8.49	0.7	24.2	5.0
Am Income C2	US	BD	LUX	01/06	USD	24.61	0.9	24.5	5.1
Am Income I	US	BD	LUX	01/06	USD	8.49	0.7	25.6	6.2
Am Value A	US	EQ	LUX	01/06	USD	8.68	1.8	15.0	-12.2
Am Value B	US	EQ	LUX	01/06	USD	7.99	1.8	13.8	-13.1
Am Value C	US	EQ	LUX	01/06	USD	8.68	1.8	14.4	-12.6
Am Value I	US	EQ	LUX	01/06	USD	9.34	1.7	15.7	-11.5
Emg Mkts Debt A	GL	BD	LUX	01/06	USD	15.70	0.9	44.0	8.0
Emg Mkts Debt A2	GL	BD	LUX	01/06	USD	20.31	1.0	44.1	8.1
Emg Mkts Debt AT	GL	BD	LUX	01/06	USD	15.76	1.0	44.2	8.2
Emg Mkts Debt B	GL	BD	LUX	01/06	USD	15.70	0.9	42.6	7.0
Emg Mkts Debt B2	GL	BD	LUX	01/06	USD	19.56	1.0	42.8	7.0
Emg Mkts Debt BT	GL	BD	LUX	01/06	USD	15.74	1.0	42.7	7.0
Emg Mkts Debt C	GL	BD	LUX	01/06	USD	15.70	0.9	43.3	7.5
Emg Mkts Debt C2	GL	BD	LUX	01/06	USD	19.96	1.0	43.5	7.6
Emg Mkts Debt I	GL	BD	LUX	01/06	USD	15.70	0.9	44.7	8.6
Emg Mkts Growth A	GL	EQ	LUX	01/06	USD	35.94	3.7	67.6	-10.7
Emg Mkts Growth B	GL	EQ	LUX	01/06	USD	30.45	3.7	65.8	-11.6
Emg Mkts Growth C	GL	EQ	LUX	01/06	USD	31.15	3.7	66.8	-11.1
Emg Mkts Growth I	GL	EQ	LUX	01/06	USD	39.84	3.7	68.9	-10.0
Eur Growth A	OT	OT	LUX	01/06	EUR	10.33	2.0	21.1	-15.1
Eur Growth A	OT	OT	LUX	01/06	EUR	7.17	2.0	21.1	-15.1
Eur Growth B	OT	OT	LUX	01/06	EUR	6.45	2.1	19.9	-15.9
Eur Growth B	OT	OT	LUX	01/06	USD	9.29	2.1	19.9	-15.9
Eur Growth C	EU	EQ	LUX	01/06	EUR	5.43	1.9	20.4	-15.5
Eur Growth I	OT	OT	LUX	01/06	USD	11.26	2.0	22.0	-14.4
Eur Growth I	OT	OT	LUX	01/06	EUR	7.82	2.0	22.0	-14.4
Eur Income A	OT	OT	LUX	01/06	EUR	6.67	1.1	40.6	4.2
Eur Income A	OT	OT	LUX	01/06	USD	9.61	1.1	40.6	4.2
Eur Income A2	OT	OT	LUX	01/06	EUR	13.03	1.2	40.7	4.3
Eur Income A2	OT	OT	LUX	01/06	USD	18.77	1.2	40.7	4.3
Eur Income AT	EU	BD	LUX	01/06	EUR	6.67	1.4	40.6	4.3
Eur Income B	OT	OT	LUX	01/06	EUR	6.67	1.1	39.7	3.5
Eur Income B	OT	OT	LUX	01/06	USD	9.61	1.1	39.7	3.5
Eur Income B2	OT	OT	LUX	01/06	EUR	12.12	1.3	39.6	3.6
Eur Income B2	OT	OT	LUX	01/06	USD	17.46	1.3	39.6	3.6
Eur Income BT	EU	BD	LUX	01/06	EUR	6.67	1.2	39.8	3.6
Eur Income C	OT	OT	LUX	01/06	EUR	6.67	1.1	40.0	3.8
Eur Income C	OT	OT	LUX	01/06	USD	9.61	1.1	40.0	3.8
Eur Income C2	OT	OT	LUX	01/06	EUR	12.99	1.2	40.1	3.8
Eur Income C2	OT	OT	LUX	01/06	USD	18.71	1.2	40.1	3.8
Eur Income I	OT	OT	LUX	01/06	EUR	6.67	1.1	41.3	4.8
Eur Income I	OT	OT	LUX	01/06	USD	9.61	1.1	41.3	4.8
Eur Strat Value A	OT	OT	LUX	01/06	EUR	8.69	1.9	18.6	-19.2
Eur Strat Value A	OT	OT	LUX	01/06	USD	12.52	1.9	18.6	-19.2
Eur Strat Value I	OT	OT	LUX	01/06	EUR	8.90	1.8	19.6	-18.5
Eur Strat Value I	OT	OT	LUX	01/06	USD	12.82	1.8	19.6	-18.5
Eur Value A	OT	OT	LUX	01/06	EUR	9.36	1.7	21.4	-16.0
Eur Value A	OT	OT	LUX	01/06	USD	13.48	1.7	21.4	-16.0
Eur Value B	OT	OT	LUX	01/06	USD	12.40	1.8	20.3	-16.8
Eur Value B	OT	OT	LUX	01/06	EUR	8.61	1.8	20.3	-16.8
Eur Value C	OT	OT	LUX	01/06	USD	13.03	1.8	20.8	-16.3
Eur Value C	OT	OT	LUX	01/06	EUR	9.05	1.8	20.8	-16.3
Eur Value I	OT	OT	LUX	01/06	USD	15.57	1.8	22.4	-15.3
Eur Value I	OT	OT	LUX	01/06	EUR	10.81	1.8	22.4	-15.3
GI Balanced (Euro) A	OT	OT	LUX	01/06	USD	16.78	1.6	19.4	-9.6
GI Balanced (Euro) B	OT	OT	LUX	01/06	USD	16.33	1.5	18.1	-10.5
GI Balanced (Euro) C	OT	OT	LUX	01/06	USD	16.65	1.6	19.1	-9.9
GI Balanced (Euro) I	OT	OT	LUX	01/06	USD	17.08	1.5	NS	NS
GI Balanced A	US	BA	LUX	01/06	USD	16.77	1.8	23.3	-9.1
GI Balanced B	US	BA	LUX	01/06	USD	15.94	1.7	22.1	-10.0
GI Balanced C	OT	OT	LUX	01/06	USD	16.52	1.7	22.9	-9.4
GI Balanced C	OT	OT	LUX	01/06	EUR	11.47	1.7	22.9	-9.4
GI Balanced I	US	BA	LUX	01/06	USD	17.39	1.8	24.1	-8.5
GI Bond A	US	BD	LUX	01/06	USD	9.29	0.5	13.5	4.4
GI Bond A2	US	BD	LUX	01/06	USD	16.10	0.6	13.5	4.4
GI Bond A2	OT	OT	NA	01/06	HKD	124.84	0.6	13.5	4.4
GI Bond AT	OT	OT	LUX	01/06	HKD	71.88	0.5	13.4	4.4
GI Bond AT	US	BD	LUX	01/06	USD	9.27	0.5	13.4	4.4
GI Bond B	US	BD	LUX	01/06	USD	9.29	0.5	12.4	3.4
GI Bond B2	US	BD	LUX	01/06	USD	14.10	0.6	12.4	3.4
GI Bond B2	OT	OT	NA	01/06	HKD	109.34	0.6	12.4	3.4
GI Bond BT	OT	OT	LUX	01/06	HKD	72.19	0.5	12.4	3.4
GI Bond BT	US	BD	LUX	01/06	USD	9.31	0.5	12.4	3.4
GI Bond C	US	BD	LUX	01/06	USD	9.29	0.5	13.0	3.9
GI Bond C2	US	BD	LUX	01/06	USD	13.97	0.6	12.9	3.9
GI Bond I	US	BD	LUX	01/06	USD	9.29	0.5	14.1	5.0
GI Conservative A	US	BA	LUX	01/06	USD	15.03	1.1	15.2	-3.6
GI Conservative A2	US	BA	LUX	01/06	USD	17.11	1.1	16.0	-3.3
GI Conservative B	US	BA	LUX	01/06	USD	15.02	1.1	14.4	-4.4
GI Conservative B2	US	BA	LUX	01/06	USD	16.25	1.0	14.8	-4.2
GI Conservative C	US	BA	LUX	01/06	USD	15.02	1.1	14.9	-3.9
GI Conservative C2	US	BA	LUX	01/06	USD	16.73	1.0	15.5	-3.7
GI Conservative I	US	BA	LUX	01/06	USD	15.10	1.1	16.1	-2.9
GI Eq Blend A	GL	EQ	LUX	01/06	USD	11.96	2.6	28.6	-18.8
GI Eq Blend B	GL	EQ	LUX	01/06	USD	11.22	2.5	27.4	-19.6
GI Eq Blend C	GL	EQ	LUX	01/06	USD	11.74	2.4	27.9	-19.1
GI Eq Blend I	GL	EQ	LUX	01/06	USD	12.61	2.5	29.6	-18.1
GI Growth A	GL	EQ	LUX	01/06	USD	42.90	2.4	27.4	-19.9
GI Growth B	GL	EQ	LUX	01/06	USD	35.81	2.4	26.1	-20.7
GI Growth C	GL	EQ	LUX	01/06	USD	41.16	2.4	26.8	-20.2
GI Growth I	GL	EQ	LUX	01/06	USD	47.64	2.4	28.4	-19.2
GI High Yield A	US	BD	LUX	01/06	USD	4.40	1.6	58.4	5.4
GI High Yield A2	US	BD	LUX	01/06	USD	9.42	1.7	58.3	5.3
GI High Yield A2	OT	OT	NA	01/06	HKD	73.05	1.7	58.3	5.3
GI High Yield AT	OT	OT	NA	01/06	HKD	33.81	1.9	58.5	5.3
GI High Yield AT	US	BD	LUX	01/06	USD	4.36	1.9	58.5	5.3
GI High Yield B	US	BD	LUX	01/06	USD	4.40	1.6	56.4	4.1
GI High Yield B2	US	BD	LUX	01/06	USD	15.14	1.7	56.9	4.2
GI High Yield B2	OT	OT	NA	01/06	HKD	117.40	1.7	56.9	4.2
GI High Yield BT	OT	OT	NA	01/06	HKD	34.35	1.6	56.9	4.2
GI High Yield BT	US	BD	LUX	01/06	USD	4.43	1.6	56.9	4.2
GI High Yield C	US	BD	LUX	01/06	USD	4.40	1.6	57.5	4.8
GI High Yield C2	US	BD	LUX	01/06	USD	13.96	1.7	57.7	4.8
GI High Yield I	US	BD	LUX	01/06	USD	4.40	1.6	59.5	6.1
GI Thematic Res. A	OT	OT	LUX	01/06	USD	15.24	3.5	69.7	0.1
GI Thematic Res. B	OT	OT	LUX	01/06	USD	13.33	3.4	68.1	-0.9
GI Thematic Res. I	OT	OT	LUX	01/06	USD	16.99	3.4	70.9	0.9
GI Value A	GL	EQ	LUX	01/06	USD	11.44	2.7	29.9	-17.7
GI Value B	GL	EQ	LUX	01/06	USD	10.51	2.6	28.6	-18.5
GI Value C	GL	EQ	LUX	01/06	USD	11.12	2.7	29.5	-18.0
GI Value I	GL	EQ	LUX	01/06	USD	12.17	2.7	31.0	-17.0
Greater China A	AS	EQ	LUX	01/06	USD	41.52	3.7	53.5	-13.8
Greater China B	AS	EQ	LUX	01/06	USD	36.74	3.7	52.0	-14.6
Greater China C	AS	EQ	LUX	01/06	USD	41.00	3.7	52.9	-14.2
India Growth A	OT	OT	LUX	01/06	USD	131.25	3.4	NS	NS
India Growth AX	OT	OT	LUX	01/06	USD	114.73	3.4	90.5	-10.1
India Growth B	OT	OT	LUX	01/06	USD	137.47	3.4	NS	NS
India Growth BX	OT	OT	LUX	01/06	USD	98.05	3.4	88.6	-11.0
India Growth I	EA	EQ	LUX	01/06	USD	118.91	3.4	91.4	-9.7
Int'l Health Care A	OT	EQ	LUX	01/06	USD	138.41	0.7	19.4	-7.9
Int'l Health Care B	OT	EQ	LUX	01/06	USD	116.72	0.7	18.2	-8.8
Int'l Health Care C	OT	EQ	LUX	01/06	USD	132.64	0.7	18.9	-8.3
Int'l Health Care I	OT	EQ	LUX	01/06	USD	151.24	0.7	20.4	-7.2
Int'l Technology A	OT	EQ	LUX	01/06	USD	111.90	1.4	44.0	-8.2
Int'l Technology B	OT	EQ	LUX	01/06	USD	96.95	1.4	42.6	-9.1
Int'l Technology C	OT	EQ	LUX	01/06	USD	108.13	1.4	43.4	-8.6
Int'l Technology I	OT	EQ	LUX	01/06	USD	125.48	1.4	45.1	-7.5
Japan Eq Blend A	JP	EQ	LUX	01/06	JPY	6179.00	2.6	12.6	-19.2
Japan Eq Blend B	JP	EQ	LUX	01/06	JPY	5961.00	2.5	11.4	-20.0
Japan Eq Blend C	JP	EQ	LUX	01/06	JPY	6080.00	2.6	12.1	-19.6
Japan Growth A	JP	EQ	LUX	01/06	JPY	5981.00	1.8	6.5	-20.3
Japan Growth B	JP	EQ	LUX	01/06	JPY	5771.00	1.8	5.5	-21.1
Japan Growth C	JP	EQ	LUX	01/06	JPY	5885.00	1.8	6.0	-20.7
Japan Strat Value A	JP	EQ	LUX	01/06	JPY	6314.00	3.2	18.1	-18.6
Japan Strat Value B	JP	EQ	LUX	01/06	JPY	6097.00	3.1	16.9	-19.5
Japan Strat Value C	JP	EQ	LUX	01/06	JPY	6208.00	3.2	17.6	-19.0
Real Estate Sec. A	OT	EQ	LUX	01/06	USD	14.51	1.1	32.4	-12.5
Real Estate Sec. B	OT	EQ	LUX	01/06	USD	13.26	1.1	31.0	-13.4
Real Estate Sec. I	OT	EQ	LUX	01/06	USD	15.59	1.1	33.4	-11.8
Short Mat Dollar A	US	BD	LUX	01/06	USD	7.31	0.6	11.9	-5.6
Short Mat Dollar A2	US	BD	LUX	01/06	USD	9.85	0.6	11.8	-5.7
Short Mat Dollar AT	US	BD	LUX	01/06	USD	7.30	0.7	12.1	-5.7
Short Mat Dollar B	US	BD	LUX	01/06	USD	7.31	0.6	11.4	-6.0
Short Mat Dollar B2	US	BD	LUX	01/06	USD	9.81	0.7	11.5	-6.1
Short Mat Dollar BT	OT	OT	LUX	01/06	USD	7.32	0.7	10.8	-6.3
Short Mat Dollar C	US	BD	LUX	01/06	USD	7.31	0.6	11.4	-6.0
Short Mat Dollar C2	US	BD	LUX	01/06	USD	13.86	0.7	11.4	-6.1
Short Mat Dollar I	US	BD	LUX	01/06	USD	7.31	0.6	12.5	-5.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	01/04	USD	100.00	0.0	21.5	20.8
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	01/05	USD	45.49	8.4	-45.4	-2.5
Superfund GCT USD*	GL	EQ	LUX	01/05	USD	2391.00	7.7	-34.5	-0.7
Superfund Green Gold A (SPC)	OT	OT	CYM	01/05	USD	1038.69	6.7	-10.7	8.7
Superfund Green Gold B (SPC)	OT	OT	CYM	01/05	USD	1027.10	9.1	-23.8	4.7
Superfund Q-AG*	OT	OT	AUT	01/05	EUR	6977.00	5.3	-20.4	3.8
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	14027.73	-5.0	-5.0	5.6
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.38	-4.6	-4.6	7.4

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

MARKETS

Stocks in U.S., Europe struggle for direction

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—U.S. stocks wavered Thursday as gains in financial and consumer-discretionary stocks offset commodities-related declines in metals and energy companies.

The Dow Jones Industrial Average was up 6.42 points, or 0.1%, to 10580.10 at midday.

ABREAST OF THE MARKET

Bank of America climbed 4% as Credit Suisse called the shares the "cheapest" among large-cap banks. The move helped lift sentiment for the financial sector, as it was seen as a sign that Wall Street's opinions on the big banks are improving.

Boeing added 3.4% after the company said it delivered 481 commercial aircraft during 2009, up 29% from a year earlier and matching the company's expectations.

Retailers gained on better-than-expected same-store sales last month.

Alcoa was the Dow's worst performer, off 3.1% as metals futures declined.

The technology-heavy Nasdaq Composite was down 7.72 points, or 0.3%, at 2293.37. The Standard & Poor's 500-stock index edged up 1.19 point, or 0.1%, to 1138.33.

A move by China's central bank to raise a key interbank market interest rate served as a reminder that rate increases in the U.S. are likely later this year. However, the U.S. Federal Reserve has repeatedly said that its easy-money stance will remain for at least several more months.

In addition, investors grew concerned about how global growth could be affected. That helped push down commodity prices.

Nevertheless, John Brady, senior vice president at MF Global, cautioned investors against interpreting too much from China's move. "There's been a lot of chatter from China about tightening credit and making loans more expensive, but until we see the fallout from that in terms of growth in China, things are OK," he said.

TJX jumped 5.9% as it joined a number of other retailers in posting better-than-expected same-store sales for December and boosting its earnings forecast.

European stocks

Markets struggled for directions here, too. The pan-European Dow Jones Stoxx 600 index edged up fractionally to 258.04.

The German DAX dropped 0.2% to 6019.36 while the French CAC 40 rose 0.2% to 4024.80. The U.K. FTSE 100 eased 0.1% to 5526.72.

J Sainsbury rose 3.2% after the U.K. supermarket chain announced third-quarter comparable sales that beat analysts' expectations.

Midcap **Continental** rallied 13% in Frankfurt on a plan to to reduce the tire maker's debt. **Praktiker** fell 8.3% on a sharp drop in fourth-quarter comparable-store sales.

Japan yields rise amid fears over spending

By Andrew Monahan

TOKYO—Japanese government-bond yields rose Thursday, as concerns about additional supply grew after a fiscally conservative finance minister was replaced with a spending advocate.

Also pushing up yields were higher U.S. yields and a looming liquidity-enhancing auction in Japan on Friday. The closely watched U.S. nonfarm payrolls report will be released after Japanese markets close Friday, and the market will be closed Monday for the Coming of Age holiday.

BOND MARKETS

The 10-year yield firmed 0.01 percentage point to 1.34%.

The move came as investors reacted to Hirohisa Fujii's resignation as Japan's finance minister and his replacement with Deputy Prime Minister Naoto Kan late Wednesday. That "should be seen as a negative for JGBs," said Christian Carrillo, senior interest-rate strategist at Société Générale.

Mr. Kan's appointment may not be all bad for bonds, some analysts said. He has pushed for a more aggressive monetary response to the country's entrenched deflation. That may further pressure "the Bank of Japan for additional easing," which would support bond prices and push down yields, said Jun Ishii, chief fixed-income strategist at Mitsubishi UFJ Securities.

Shanghai slumps 1.9% on central bank move

By V. Phani Kumar And Wei Zhe Tan

Chinese shares sank as a central bank move to tighten liquidity in the money markets raised fears that further tightening measures could come sooner than expected.

China's Shanghai Composite lost 1.9% to finish at 3192.78. The People's Bank of China sold 60 billion yuan ($8.78 billion) worth of three-month bills at 1.3684%, increasing the yield on such bills for the first time since August, when the rate was moved to 1.3328%. The Shenzhen Composite index also dropped 1.9%, to 1179.99.

ASIAN-PACIFIC STOCKS

"The inter-bank money market liquidity is being tightened, which is good. It also suggests [the PBOC] is preparing for more actions over the next few months," said Daiwa Institute of Research economist Kevin Lai. The timing of interest-rate increases will also be "sooner than the market believes," Mr. Lai said, adding that he expected both a rate increase as well as an increase in bank reserve requirements by the end of the first quarter.

Most other Asian stock markets fell Thursday. Japan's Nikkei Stock Average of 225 companies fell 0.5% to 10681.66. Hong Kong's Hang Seng Index shed 0.7% to 22269.45,

Australia's S&P/ASX 200 lost 0.5% to 4899.4, and South Korea's Kospi fell 1.3% to 1683.45. Taiwan's Taiex gave up 1.1% to 8237.42.

Banking, steel and automobile stocks paced China's broad decline. **Industrial & Commercial Bank of China** dropped 2.4%, **SAIC Motor** shed 4.4% and **Baoshan Iron & Steel** shrank 4.9% in Shanghai.

Hong Kong-traded stocks also retreated. ICBC declined 1.2% and **Denway Motors** shed 3.4%. Shares of **Foxconn International Holdings** dropped 4.9% after rising 31% over the past seven sessions.

In Tokyo, shares weaved in and out of positive territory before ending lower. Shares of **Japan Airlines** tumbled 9.3% after the Nikkei newspaper reported that the government-backed entity overseeing the carrier's rehabilitation looked to cut the company's debt by 730 billion yen ($7.92 billion) via debt waivers and reductions in pension and bond obligations.

Stockholders might have to shoulder at least a portion of the burden, while banks could be asked to forgive some debt.

Mining stocks firmed on an overnight increase in gold and commodity prices, with **Sumitomo Metal Mining** adding 1.5%.

Consumer-related stocks in Sydney rose after stronger-than-expected November retail sales raised hopes for solid December sales. **David Jones** rose 0.6% and **Harvey Norman** climbed 3.7%.

The Taiwan market was also choppy with investors cautious after recent strong gains. **Nanya Technology** fell 2.5% and **Cathay Real Estate Development** slid 3.6%.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/07	EUR	52.42	1.2	28.6	-10.6
Industria AE	EU	EQ	DEU	01/07	EUR	72.47	2.1	27.8	-16.0
InternRent AE	EU	BD	DEU	01/07	EUR	35.23	0.4	2.6	9.2

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Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CAM-GTF Limited	AS	EQ	MUS	12/31	USD	274508.01	103.5	103.5	2.6

GAM

■ GAM FUND MANAGEMENT LIMITED

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Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	12/31	USD	1243.27	22.7	22.7	-8.8
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/04	JPY	15780.46	1.6	68.3	2.6
GAM Asia Equity Hedge US	OT	OT	VGB	01/04	USD	294.09	1.3	68.5	4.0
GAM Asia Equity USD	OT	OT	VGB	01/05	USD	669.60	2.2	62.3	-11.7
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/05	USD	1311.62	1.9	22.1	-14.9
GAM Com Glb Bal EUR Op	US	BA	VGB	12/14	EUR	93.10	14.7	17.0	-9.9
GAM Com Glb Bal USD Op	US	BA	VGB	12/14	USD	127.31	14.7	17.0	-9.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/14	EUR	95.07	21.3	24.9	-17.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/14	USD	126.70	21.3	24.9	-17.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/14	EUR	83.88	15.0	17.9	-14.3
GAM Comp Glb Gr USD Op	US	BA	VGB	12/14	USD	126.34	15.0	17.9	-14.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/04	USD	252.47	1.5	34.9	-9.2
GAM Cross Trading Inc	OT	OT	VGB	12/31	USD	466.91	6.7	6.7	6.2
GAM Diversity CHF Op	OT	OT	VGB	12/31	CHF	94.45	4.4	4.4	-6.9
GAM Diversity EUR Op	OT	OT	VGB	12/31	EUR	649.49	5.2	5.2	-5.4
GAM Diversity USD 2.5XL	OT	OT	VGB	12/31	USD	78.56	8.9	8.9	-19.6
GAM Diversity USD Op	OT	OT	VGB	12/14	USD	682.53	5.3	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	12/31	CHF	99.64	4.1	4.1	-6.5
GAM Dvrsty II EUR Op	OT	OT	VGB	12/31	EUR	138.97	4.7	4.7	-5.4
GAM Dvrsty II USD Op	OT	OT	VGB	12/31	USD	210.46	4.7	4.7	-5.7
GAM DvrstyIII EUR Op	OT	OT	VGB	12/31	EUR	115.72	4.7	4.7	-5.6
GAM DvrstyIII USD Op	OT	OT	VGB	12/31	USD	122.15	4.7	4.7	-5.7
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/04	EUR	220.59	0.8	11.8	-4.2
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/04	USD	204.97	0.8	12.5	-2.6
GAM European Equity USD	OT	OT	VGB	01/05	USD	297.72	0.6	24.3	-12.9
GAM GAMCO	OT	EQ	VGB	01/05	USD	827.18	2.0	42.5	-9.8
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/04	EUR	98.32	0.5	14.0	-16.6
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/04	USD	103.67	0.5	14.5	-15.9
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/04	USD	254.02	1.2	24.4	-7.7
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/04	USD	289.88	1.1	103.0	22.0
GAM Intrst Trend II	GL	BD	VGB	12/31	USD	94.13	42.5	42.5	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	12/31	USD	251.51	57.9	57.9	-7.1
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/04	EUR	117.58	0.7	10.1	-7.4
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/04	USD	122.92	0.7	9.3	-19.2
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/04	JPY	8465.78	0.7	9.7	-18.3
GAM Japan USD	JP	EQ	VGB	01/05	USD	1128.19	2.3	8.4	-14.8
GAM Japan YEN	JP	EQ	VGB	01/05	JPY	8972.67	1.7	9.0	-20.6
GAM Money Mkt EuroOp	EU	MM	VGB	01/05	EUR	51.12	-0.2	0.0	1.6
GAM Money Mkt USD	US	MM	VGB	01/05	USD	99.95	0.1	-0.1	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	12/14	EUR	113.29	1.1	-0.9	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	12/14	USD	118.28	1.3	-0.8	-8.8
GAM Multi-China EUR Op	OT	OT	VGB	12/31	EUR	167.97	13.1	13.1	-8.5
GAM Multi-China USD Op	OT	OT	VGB	12/31	USD	176.59	13.7	13.7	-9.2
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/31	GBP	131.51	25.7	25.7	-2.4
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/31	USD	650.94	25.6	25.6	-2.7
GAM Multi-Eur EUR Op	OT	OT	VGB	12/31	EUR	268.84	7.1	7.1	-9.9
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/31	EUR	138.33	7.1	7.1	-9.9
GAM Multi-Eur II USD Op	OT	OT	VGB	12/31	USD	113.08	6.6	6.6	-10.8
GAM Multi-Eur USD Op	OT	OT	VGB	12/31	USD	467.71	6.7	6.7	-10.7
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/31	EUR	134.00	12.4	12.4	-3.9
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/31	USD	218.14	12.7	12.7	-4.0
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/31	EUR	143.40	5.2	5.2	-4.4
GAM Multi-Pac USD Op	OT	OT	VGB	12/31	USD	165.42	5.2	5.2	-4.8
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/31	USD	2637.90	69.5	69.5	8.9
GAM Sing/Malaysia	AS	EQ	VGB	01/05	USD	2574.04	0.8	50.7	-10.7
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/31	GBP	243.55	41.0	41.0	2.2
GAM Trading EUR Inc	OT	OT	VGB	12/14	EUR	323.84	5.9	5.4	6.8
GAM Trading USD Inc	OT	OT	VGB	12/31	USD	975.21	6.8	6.8	6.3
GAM Trdg II IncEUR Op	OT	OT	VGB	12/14	EUR	138.52	5.8	5.3	6.8
GAM Trdg II IncUSD Op	OT	OT	VGB	12/31	USD	316.65	6.8	6.8	6.3
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/31	EUR	147.10	6.3	6.3	6.5
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/31	USD	154.86	6.5	6.5	6.2
GAM Trdg V IncEUR Op	OT	OT	VGB	12/31	EUR	124.73	6.3	6.3	6.4
GAM Trdg V IncUSD Op	OT	OT	VGB	12/31	USD	129.88	6.4	6.4	6.1
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/31	EUR	157.37	6.4	6.4	6.6
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/31	USD	162.87	6.5	6.5	6.2
GAM USDSpecBondInc	US	BD	VGB	01/04	USD	533.53	0.7	75.5	6.4
GAM Worldwide	GL	EQ	VGB	01/05	USD	2270.41	0.5	23.8	-9.1
GAMut Investments	OT	OT	VGB	12/31	USD	7580.87	4.4	4.4	7.7

■ GAM Star Fund Plc

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/05	CHF	11.28	2.2	48.8	-14.5
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/05	EUR	12.16	2.1	54.3	-9.6
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/05	GBP	1.62	3.5	49.6	-0.8
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/05	USD	13.73	2.3	63.0	-10.5
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/05	EUR	103.24	2.1	18.3	-12.1
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/05	EUR	99.92	2.1	18.3	-12.1
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/05	EUR	11.19	1.8	22.3	-9.0
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/05	EUR	185.47	1.3	21.2	-11.6
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/05	EUR	169.47	1.3	21.1	-11.6
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/05	USD	16.24	1.5	27.7	-12.4
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/05	USD	14.73	1.5	27.7	-12.4
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/29	USD	5.52	17.3	18.5	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/05	EUR	89.91	2.2	7.5	-11.4
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/05	EUR	89.91	2.2	7.5	-11.4
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/05	JPY	936.03	1.6	8.4	-20.5
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/05	USD	11.37	2.3	7.3	-14.9
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/05	USD	2283.20	2.0	26.7	-8.0

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
American Growth	US	EQ	LUX	01/07	USD	15.49	1.4	23.5	-11.5
American Growth AA	US	EQ	LUX	01/07	USD	0.89	1.4	23.1	-5.6
Asian Equity	AS	EQ	LUX	01/07	USD	2.50	2.9	64.2	-8.2
Asian Equity AA	AS	EQ	LUX	01/07	USD	0.80	2.8	63.6	-8.4
Asian Sm Cap Equity AA	AS	EQ	LUX	01/07	USD	1.19	2.6	91.1	-5.4
China Value A	AS	EQ	LUX	01/07	USD	7.23	2.5	63.0	-6.0
China Value AA	AS	EQ	LUX	01/07	USD	2.27	2.5	62.5	-6.2
Dragon Growth	AS	EQ	LUX	01/07	USD	1.69	3.7	63.7	-8.2
Dragon Growth AA	OT	OT	LUX	01/07	HKD	8.23	3.7	63.4	-9.3
Emg Eastrn Europe A	EU	EQ	LUX	01/07	USD	4.81	4.0	84.9	-17.9
Emg Eastrn Europe AA	EU	EQ	LUX	01/07	USD	2.07	3.9	84.6	-18.0
European Growth	EU	EQ	LUX	01/07	USD	9.24	1.3	38.9	-17.3
European Growth AA	EU	EQ	LUX	01/07	USD	0.66	1.3	38.5	-17.4
Global Contrarain AA	GL	EQ	LUX	01/07	USD	0.92	4.1	76.4	NS
Global Property AA	OT	EQ	LUX	01/07	USD	0.68	0.9	43.7	-12.6
Global Resources AA	OT	EQ	LUX	01/07	USD	1.14	3.6	50.8	-12.6
Healthcare AA	OT	EQ	LUX	01/07	USD	0.94	-0.6	11.2	NS
India Equity AA	EA	EQ	LUX	01/07	USD	1.13	3.1	76.4	-19.1
International Growth	GL	EQ	LUX	01/07	USD	3.09	1.6	21.1	-14.5
International Growth AA	GL	EQ	LUX	01/07	USD	0.72	1.6	20.8	-14.7
Japanese Growth	JP	EQ	LUX	01/07	USD	2.80	2.4	10.7	-11.9
Japanese Growth AA	JP	EQ	LUX	01/07	USD	0.73	2.4	10.4	-12.1
Latin America Equity AA	GL	EQ	LUX	01/07	USD	1.33	3.2	87.5	-2.7
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/07	USD	1.01	0.8	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/07	USD	1.16	2.0	NS	NS
Russia Equity AA	EE	EQ	LUX	01/07	USD	0.68	8.5	114.8	-21.6
Taiwan Equity AA	AS	EQ	LUX	01/07	USD	1.09	1.7	82.6	4.3
Turkey Equity AA	EE	EQ	LUX	01/07	USD	0.80	3.7	100.9	-11.6
U.S. Bond AA	US	BD	LUX	01/07	USD	1.11	0.6	18.6	7.2
U.S. Sm Cap Equity AA	US	EQ	LUX	01/07	USD	0.84	2.5	59.0	-11.9
U.S. Special Opportunities	OT	OT	LUX	01/07	USD	0.84	3.2	79.0	2.8
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/07	USD	1.14	0.3	11.8	2.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Indonesian Grth Fund	EA	EQ	CYM	12/31	USD	127.35	120.7	120.7	-3.1

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A Value Partners Group company

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asia Value Formula Fd-B	AS	EQ	CYM	01/06	USD	8.20	2.2	79.4	-5.4

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds Eur Hi Yld A	OT	OT	LUX	01/05	EUR	20.88	1.5	56.1	-0.6
Bonds EURO A	OT	OT	LUX	01/05	EUR	41.13	0.2	4.1	4.9
Bonds EUROPE A	OT	OT	LUX	01/06	EUR	39.06	-0.1	3.6	4.0
Bonds US OppsCoreplus A	OT	OT	LUX	01/05	USD	36.91	0.0	16.8	7.9
Bonds World A	OT	OT	LUX	01/06	USD	42.12	0.3	9.6	5.2
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/06	USD	10.72	2.8	61.6	-11.4
Eq. China A	AS	EQ	LUX	01/06	USD	24.74	2.5	54.1	-13.5
Eq. Concentrated Euroland A	OT	OT	LUX	01/06	EUR	94.56	1.7	19.1	-17.9
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/06	EUR	27.49	1.8	25.8	-15.8
Eq. Emerging Europe A	OT	OT	LUX	01/06	EUR	24.57	4.3	57.4	-24.4
Eq. Euroland A	EU	EQ	LUX	01/06	EUR	11.02	1.8	14.9	-18.8
Eq. Euroland Small Cap A	OT	OT	LUX	01/06	EUR	147.23	4.3	43.0	-9.4
Eq. EurolandCyclclsA	EU	EQ	LUX	01/05	EUR	18.08	1.6	25.9	-13.8
Eq. EurolandFinancialA	OT	EQ	LUX	01/06	EUR	11.68	3.2	31.4	-19.4
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/06	USD	10.02	3.5	57.3	-13.2
Eq. Global A	GL	EQ	LUX	01/06	USD	28.40	2.0	31.5	-12.7
Eq. Global Energy A	OT	EQ	LUX	01/06	USD	18.81	3.7	20.9	-13.2
Eq. Global Resources A	OT	OT	LUX	01/06	USD	115.21	5.5	53.2	-9.1
Eq. Gold Mines A	OT	EQ	LUX	01/06	USD	32.34	6.7	56.6	0.8
Eq. India A	OT	OT	LUX	01/06	USD	134.69	3.0	75.2	-19.2
Eq. Japan CoreAlpha A	OT	OT	LUX	01/06	JPY	7500.42	3.4	20.0	-10.2
Eq. Latin America A	OT	OT	LUX	01/05	USD	120.07	3.3	79.0	-7.7
Eq. US Lg Cap Gr A	US	EQ	LUX	01/06	USD	15.59	2.2	37.1	-10.6
Eq. US Rel Val A	US	EQ	LUX	01/06	USD	21.13	2.6	30.8	-11.9
Eq. US Sm Cap Val A	US	EQ	LUX	01/06	USD	16.42	3.0	21.2	-16.2
Money Market EURO A	EU	MM	LUX	01/06	EUR	27.40	0.0	1.0	2.6
Money Market USD A	US	MM	LUX	01/06	USD	15.83	0.0	0.5	1.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
TNI Mena Real Estate Fund	OT	OT	BMU	12/24	USD	966.38	2.8	-1.4	-26.9
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/31	AED	5.33	16.2	16.2	-32.4

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Intel-Chin MainInd Foc	AS	EQ	CYM	12/31	USD	29.84	86.0	86.0	1.4
Intel-China Converg*	AS	EQ	CYM	12/31	USD	114.03	87.1	87.1	1.3
VP Classic - A	AS	EQ	CYM	01/06	USD	191.35	2.6	87.7	-1.3
VP CLassic - B	AS	EQ	CYM	01/06	USD	89.18	2.6	86.8	-1.8
VP High Dividend Stk	AS	EQ	CYM	01/04	USD	46.09	1.5	85.5	-0.7

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■ YMR-N Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
YMR-N Growth Fund	OT	OT	IRL	01/07	JPY	9521.00	1.4	11.4	-22.7
YMR-N Small Cap Fund	OT	OT	IRL	01/07	JPY	6945.00	-0.3	10.1	-23.1

■ Yuki 77 Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki 77 General	JP	EQ	IRL	01/07	JPY	6216.00	1.1	2.6	-24.3
Yuki 77 Growth	JP	EQ	IRL	01/07	JPY	5658.00	0.3	0.3	-29.9

■ Yuki Chugoku Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/07	JPY	6914.00	1.3	6.8	-20.8
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/07	JPY	7696.00	2.1	-6.1	-20.8

■ Yuki Hokuyo Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/07	JPY	4747.00	1.6	2.8	-24.2
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/07	JPY	5401.00	2.9	5.9	-17.7
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/07	JPY	5051.00	-1.1	9.5	-20.8

■ Yuki Mizuho Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/07	JPY	4461.00	0.9	3.9	-28.3
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/07	JPY	4691.00	0.6	2.6	-28.2
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/07	JPY	7022.00	0.7	12.0	-22.8
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/07	JPY	8712.00	1.1	6.2	-22.2
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/07	JPY	6419.00	1.0	4.1	-25.5
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/07	JPY	7792.00	2.1	-2.2	-20.7
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/07	JPY	5277.00	1.7	3.9	-22.6
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/07	JPY	11778.00	1.9	7.1	-16.8
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/07	JPY	7983.00	0.3	5.4	-27.9
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/07	JPY	7037.00	-1.4	15.5	-22.7
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/07	JPY	5748.00	1.8	8.9	-19.5
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/07	JPY	2677.00	-1.8	11.6	-30.1

■ Yuki Shizuoka Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Shizuoka General Japan	JP	EQ	IRL	01/07	JPY	5484.00	1.2	5.5	-21.4

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Aberdeen leads race over RBS unit

U.K. fund manager is ready to buy parts of asset-management division; three bids arrive for Sempra Commodities

By Margot Patrick And Patricia Kowsmann

LONDON—**Aberdeen Asset Management** PLC is in the final stage of talks to buy parts of **Royal Bank of Scotland Group** PLC's asset-management division, people familiar with the matter said Wednesday, after other bidders for the whole business, including **Schroders** PLC, dropped out of the process.

The sale is part of a series of planned asset disposals by the 84% state-owned bank as it crawls forward with a multiyear plan to return to profitability and regain its independence. People familiar with the matter said an announcement should be made this month and could come as soon as this week.

Meanwhile, RBS has received three bids of around $4 billion for RBS Sempra Commodities, a joint venture with U.S. utility and natural-gas company **Sempra Energy**, people familiar with the situation said Thursday.

Deutsche Bank AG, **J.P. Morgan Chase** & Co. and Australia's **Macquarie Group** Ltd. submitted the bids for the entire jointly owned trading operation by Wednesday's deadline, the people said.

Bloomberg News, Associated Press

Martin Gilbert, chief executive of Aberdeen Asset Management, has made it clear he won't overpay for assets, said a person familiar with the situation.

Sempra spokesman Doug Kline called talk of the bids "speculation." He added, "We haven't announced anything along those lines. What we've said is that all options are on the table."

In the asset-management sale, Aberdeen would pay between £80 million and £100 million ($128 million and $160 million) for the portions of the business it deems most attractive, the people said.

It isn't clear what the fate of the remaining assets might be.

If Aberdeen closes on the deal, it would add investment areas such as funds-of-hedge-funds to its product lines and cement its position as the U.K.'s largest independent fund manager by amount of money under management, with £146.2 billion as of Sept. 30. About £35 billion of that came from Aberdeen's £300 million purchase last year of Credit Suisse Asset Management.

Chief Executive Martin Gilbert said last month that the firm will look for further acquisitions after a faster-than-expected integration of the business.

Agreeing to a final price could be tricky, though, because Mr. Gilbert has made it clear he won't overpay for assets, one person familiar with the situation said. RBS in turn will want to show its government owner and independent shareholders that it isn't holding a fire sale.

RBS Asset Management manages about £27.5 billion in products that include alternative assets such as private-equity and hedge funds.

—Marietta Cauchi contributed to this article.

Back in U.S.'s tax sights: hedge funds, buyout firms

The "carried-interest" tax debate has re-emerged in Congress, threatening to more than double taxes on some of the country's wealthiest individuals—private-equity and hedge-fund managers.

*By **Peter Lattman, Jenny Strasburg and Naftali Bendavid***

DEALS & DEAL MAKERS

The issue flared in 2007, only to die when the financial crisis struck. This time around, amid soaring deficits and hostility over Wall Street pay, most fund managers have resigned themselves to higher tax bills. Still, they hope to delay or lessen the effect of proposed changes.

The U.S. House of Representatives voted last month to treat a large chunk of private-equity and hedge-fund managers' income as regular salary rather than more lightly taxed capital gains. The measure would increase taxes on carried interest—the 20% cut of a fund's profits to which these managers are often entitled. Currently, that income is taxed at a capital-gains rate of 15%, a figure well below the 35% tax on ordinary income.

The increase would raise $24.6 billion over 10 years, according to estimates by a nonpartisan congressional committee. That sum would be used to pay for the extensions on dozens of tax breaks, such as research credits for businesses and deductions for college tuition.

Now the issue moves to the Senate, which reconvenes Jan. 20. Sen. Max Baucus (D., Mont.), chairman of the Senate Finance Committee, opposes using a carried-interest tax increase to pay for other tax breaks. Instead, he wants to address the issue as part of broader tax overhaul later in the year, aides say.

Fund managers aren't likely to get any help from the White House. President Barack Obama has expressed support for raising the carried-interest tax, and his budget would start taxing carried interest as ordinary income in 2011.

The debate centers on whether tax law properly treats carried interest as investment proceeds or as compensation for services performed. Put another way, are fund managers like an entrepreneur who sells stock in his company and gets capital-gains treatment, even though his labor boosted the stock's value? Or are fund managers more like money managers who pay ordinary income tax on performance bonuses?

The issue first appeared on Capitol Hill in 2007, when investment firms were earning record profits, but died after an aggressive pushback by industry lobbyists. Since then, populist sentiment has turned against Wall Street. The carried-interest tax is also viewed by some lawmakers as low-hanging fruit as they look to rein in the soaring deficit and pay for an array of spending measures.

Most fund managers at least hope for a delay in any tax increase, or a compromise that would tax carried interest at something less than the peak ordinary-income rate. There is precedent for a hybrid rate, such as a flat 28% capital-gains rate for investments in collectibles such as coins and fine art.

"The thinking is that at some point, it's going to pass," said Timothy Burns, a private-funds tax lawyer with Pillsbury Winthrop Shaw Pittman LLP. "For most managers, any deferral or compromise is probably good in their eyes."

Private-equity and hedge-fund lobbying groups are still girding for a fight. Lobbyists have issued statements aimed at heading off a tax increase, arguing it would stifle risk-taking by shrinking potential rewards for fund managers.

"Private equity will endure, but the draconian tax hike, if enacted, will unquestionably slow the flow of capital to companies struggling to get back on their feet during this very fragile economic recovery," said Doug Lowenstein, president of the Private Equity Council, a trade group.

Richard Baker, head of hedge-fund lobbying group Managed Funds Association and a former U.S. representative, told lawmakers in a letter that adopting the change would hurt "the competitiveness of U.S. businesses, capital formation in the United States, and ultimately, U.S. job growth."

Defenders of the current law argue that carried interest should be treated as a capital gain, because it represents the distribution of proceeds from an investment that increases in value and is eventually sold for a profit. Certain oil-and-gas and real-estate partnerships also would be affected by the tax increase.

A number of academics and pay consultants said carried interest should be taxed as ordinary income. They contend that fund managers receive carried interest as compensation for a service performed—managing other people's money—making the carried interest nothing more than labor wages.

University of Colorado tax law Professor Victor Fleischer, whose views caught the attention of Congress two years ago, agrees with this approach. He said profits earned by managers from their own money invested in their funds—typically a small percentage of the total fund size—are appropriately taxed at capital-gains rates. But he said the portion of pay managers get for investing other people's money should be taxed at ordinary income rates, just like other forms of salary.

"It's amazing to me that at the same time the U.K. is imposing a 50% excise tax on bankers' bonuses, the private-equity guys aren't even willing to pay the usual ordinary income rate," Mr. Fleischer said. "You would think they would recognize a fair deal when it's offered."

Horizon taps Kramer as CEO in a bid to build its client base

By Jenny Strasburg

Horizon Asset Management Inc., the $5.5 billion private investment firm run by Murray Stahl, hired a former **Goldman Sachs Group** Inc. partner to fill the newly created position of chief executive officer.

J. Douglas Kramer, who most recently was chief operating officer of private-equity firm **Quadrangle Group** LLC, will join the New York firm next week overseeing noninvestment operations. The hire is part of Horizon's strategy to attract money from foundations, pension funds and other institutional investors, which would push beyond its client base of high-net-worth individuals, Messrs. Stahl and Kramer said Wednesday.

Mr. Stahl, Horizon's 56-year-old co-founder and chief investment officer, will focus more time on investment decisions along with Steven Bregman, the firm's president. Mr. Bregman oversees the $3 billion **Core Value Portfolio**, Horizon's biggest portfolio.

Mr. Kramer, 39, went to Quadrangle in 2008 to help the firm develop new businesses. He left last year when Quadrangle scaled back operations. At Goldman, Mr. Kramer ran the Global Manager Strategies group, which selected long-only investment managers for institutional and wealthy individual clients.

Horizon last year hired Hugh Ross as chief operating officer from Goldman, who previously was chief operating officer of the Global Manager Strategies group.

Horizon was founded in 1994 by former Bankers Trust Co. investment managers. It invests primarily in stocks, holding them an average of about five years on bets that they will increase in value.

Horizon oversaw $20 billion in assets at its peak near the end of 2007, but that number dropped as holdings lost value in 2008 and investors withdrew money, according to the firm. Core Value declined 56% in 2008 before rising 29% in 2009.

The firm, like other long-only investment firms, hopes to attract deep-pocketed clients looking for long-term managers that allow them to withdraw money any time. Hedge funds, in contrast, typically limit how often and how much clients can withdraw.

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Turkey	0.14%	3.1%	102.6%
Russia	-0.88	2.8	112.3
Japan	0.06	2.8	8.7
Sweden	0.13	2.1	44.3
U.K.	-0.12	2.1	22.7
Hong Kong	-0.58	2.0	51.3
Spain	-0.65	1.8	15.3
Brazil	-1.47	1.7	93.8
France	-0.29	1.7	21.2
Netherlands	-0.70	1.6	34.1
Switzerland	unch.	1.5	21.8
Italy	-0.17	1.5	17.1
Germany	-0.57	0.7	17.0
South Africa	-0.89	0.5	22.0
Singapore	-0.45	0.3	59.7
Canada	-1.19	0.2	25.2
Australia	-0.56	0.1	31.0
South Korea	-1.79	-0.9%	40.0
China 88	-1.97	-3.4	72.2

Dow Jones Regional Sector Titans

Basic Res	-0.98%	4.3%	78.8%
Banks	-0.09	3.9	39.6
EU Enlarged†-p	0.15	3.8	29.7
Nordic 30 -p	0.09	2.5	29.5
Asian 50	-0.85	2.2	31.0
Tiger 50*	-1.05	1.7	59.7
Arab 50	0.87	1.7	11.1
Euro Stoxx 50 -p	-0.09	1.5	18.6
Stoxx 50 -p	0.02	1.2	19.8
Global 50	-0.41	1.1	21.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Thursday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Sumitomo Mitsui Finl	Japan	Banks	$31.6	2,920	4.29%	-27.5%	-75.7%
Nintendo	Japan	Toys	35.0	25,520	4.16	-25.4	-17.4
Tokio Marine Hldgs	Japan	Property Casualty Insurance	23.0	2,721	2.83	8.6	-38.4
Mizuho Financial Grp	Japan	Banks	26.7	177.00	1.72	-37.0	-79.6
Tokyo Elec Power	Japan	Conventional Electricity	35.1	2,424	1.42	-12.2	-36.4
Samsung Elec	South Korea	Semiconductors	$105.6	813,000	-3.33%	60.0	39.7
Shinhan Financial Grp	South Korea	Banks	18.2	43,600	-3.00	41.9	-4.0
Canon	Japan	Electronic Office Equipment	52.0	3,930	-2.48	24.0	-39.2
Aus NZ Bk	Australia	Banks	50.8	22.12	-2.38	45.3	-20.8
China Life Ins	Hong Kong	Life Insurance	36.9	38.50	-2.16	62.8	67.4

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Woodside Petroleum Australia (Exploration Production)	32.2	48.90	1.03%	34.2%	38.8%
Westfield Grp Australia (Retail REITs)	26.7	12.64	0.88	-7.5	-38.8
Mitsubishi UFJ Finl Japan (Banks)	71.0	476.00	0.85	-15.0	-67.6
RioZim Ltd Australia (General Mining)	43.9	79.00	0.53	127.5	39.8
Cheung Kong Hong Kong (Real Estate Holding Development)	30.4	101.80	0.30	33.0	3.7
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	38.5	116.30	0.26	63.8	27.3
Nippon Steel Japan (Iron Steel)	25.7	380.00	0.26	23.4	-39.4
East Japan Railway Japan (Travel Tourism)	25.0	5,890	0.17	-9.7	-28.4
Panasonic Japan (Consumer Electronics)	29.9	1,346	0.15	10.3	-41.7
Mitsui Japan (Industrial Suppliers)	27.1	1,396	0.14	40.7	-16.5
Takeda Pharm Japan (Pharmaceuticals)	33.3	3,930	...	-10.9	-49.4
Mitsubishi Japan (Industrial Suppliers)	42.7	2,427	-0.04	80.5	13.9
Sony Japan (Consumer Electronics)	29.3	2,743	-0.04	24.7	-49.5
NTT DoCoMo Japan (Mobile Telecommunications)	59.2	132,200	-0.08	-19.1	-31.2
Seven I Hldgs Japan (Broadline Retailers)	19.2	1,985	-0.10	-27.8	-46.6
BHP Billiton Australia (General Mining)	134.6	43.77	-0.11	42.3	77.8
CNOOC Hong Kong (Exploration Production)	74.9	13.00	-0.15	76.4	95.8
China Mobile (HK) Hong Kong (Mobile Telecommunications)	187.8	73.25	-0.20	-3.6	13.2
Woolworths Australia (Food Retailers Wholesalers)	31.4	27.85	-0.21	7.0	21.7
Hutchison Whampoa Hong Kong (Diversified Industrials)	31.0	56.35	-0.27	32.4	-27.5

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
PetroChina Hong Kong (Integrated Oil Gas)	27.2	10.00	-0.40%	41.6%	2.2%
KDDI Japan (Mobile Telecommunications)	23.8	502,000	-0.40	-11.5	-36.0
Kansai Elec Power Japan (Conventional Electricity)	21.7	2,121	-0.52	-9.6	-32.7
National Australia Bk Australia (Banks)	51.9	26.99	-0.81	29.4	-32.3
Commonwlth Bk of Aus Australia (Banks)	77.2	55.44	-0.96	94.1	13.8
POSCO South Korea (Iron Steel)	40.5	606,000	-0.98	47.1	109.0
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	40.2	150.00	-0.99	160.2	1.1
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	52.2	64.20	-1.08	55.3	-1.0
Nissan Motor Japan (Automobiles)	34.5	790.00	-1.13	118.8	-44.8
KB Fncl Group South Korea (Banks)	19.6	57,800	-1.20	55.6	-16.8
Indl Comm Bk China Hong Kong (Banks)	68.2	6.37	-1.24	72.6	39.7
Toyota Motor Japan (Automobiles)	130.1	3,850	-1.28	22.6	-49.7
Westpac Bking Australia (Banks)	66.8	25.05	-1.34	51.2	4.2
JFE Hldgs Japan (Iron Steel)	20.9	3,690	-1.34	44.4	-36.8
Shin-Etsu Chml Japan (Specialty Chemicals)	24.1	5,300	-1.49	21.3	-31.0
Nippon T&T Japan (Fixed Line Telecommunications)	53.5	3,770	-1.57	-20.6	-37.7
Honda Motor Japan (Automobiles)	60.6	3,090	-1.59	44.1	-31.8
China Constr Bk Hong Kong (Banks)	191.6	6.61	-1.64	70.4	41.5
QBE Ins Grp Australia (Reinsurance)	23.0	24.50	-1.80	-6.1	-15.6
Japan Tobacco Japan (Tobacco)	32.6	317,000	-2.01	7.4	-45.3

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.19%	0.43%	1.3%	-0.2%	6.6%
Event Driven	0.44	1.05	3.3	0.4	14.7
Equity Long/Short	0.95	2.60	2.8	1.2	6.5

*Estimates as of 01/05/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

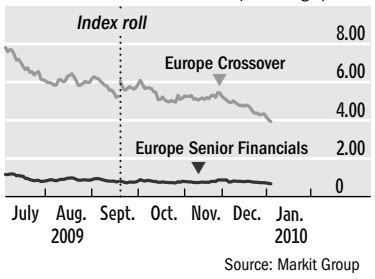
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.69	101.45%	0.01%	1.00	0.68	0.84
Eur. High Volatility: 12/1	0.93	100.30	0.01	1.76	0.93	1.36
Europe Crossover: 12/1	3.93	104.34	0.05	6.15	3.91	5.15
Asia ex-Japan IG: 12/1	0.90	100.45	0.01	1.29	0.90	1.07
Japan: 12/1	1.28	98.66	0.01	1.68	0.99	1.33

Note: Data as of January 6

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Sanyo Shinpan Fin	769	**-37**	-40	-210
Orix	251	**-20**	-14	-136
Promise	762	**-16**	-32	-231
Acom	240	**-15**	-16	-162
CNOOC	69	**-14**	...	-8
Kajima	323	**-11**	-12	-16
Taisei	360	**-8**	-9	-25
Korea Expwy	71	**-7**	-10	-4
Korea Dep Ins	69	**-7**	-3	-7
Itochu	144	**-7**	-2	-2

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Marubeni	208	**1**	1	8
Komatsu	38	**1**	...	-2
Mazda Mtr	200	**1**	-4	-22
IHI	328	**2**	-5	-9
Ptt Pub	90	**2**	...	5
Mitsubishi Matls	107	**2**	-2	-9
Nippon Sheet Glass	207	**3**	2	...
Wharf Hldgs	85	**3**	2	-6
Shimizu	179	**4**	2	2
Nippon Paper Inds	94	**5**	6	2

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Japan

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
Nomura	$1,300	30.1%	74%	16%	10%	...
Daiwa Securities SMBC Co Ltd	617	14.3	67	25	9	...
Mizuho	511	11.8	35	45	11	9%
Mitsubishi UFJ Securities	460	10.6	46	38	9	7
Morgan Stanley	230	5.3	72	16	12	...
Goldman Sachs	186	4.3	75	15	10	...
JPMorgan	167	3.9	74	6	20	...
Sumitomo Mitsui Banking Corp	122	2.8	36	25	5	34
Bank of America Merrill Lynch	105	2.4	53	18	29	...

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

	Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
	Corn (cents/bu.)	CBOT	422.00	0.25	0.06%	712.25	315.50
	Soybeans (cents/bu.)	CBOT	1045.50	-13.50	-1.27%	1,560.00	805.00
	Wheat (cents/bu.)	CBOT	559.50	-7.75	-1.37	1,029.25	459.00
	Live cattle (cents/lb.)	CME	85.950	-0.375	-0.43	108.600	81.900
	Cocoa ($/ton)	ICE-US	3,296	4	0.12	3,510	1,994
	Coffee (cents/lb.)	ICE-US	141.85	0.25	0.18	188.65	115.00
	Sugar (cents/lb.)	ICE-US	28.71	0.30	1.06	28.95	11.91
	Cotton (cents/lb.)	ICE-US	73.32	-0.23	-0.31	84.00	49.67
	Crude palm oil (ringgit/ton)	MDEX	2,630.00	-72	-2.66	3,580	1,487
	Cocoa (pounds/ton)	LIFFE	2,283	22	0.97	2,337	1,310
	Robusta coffee ($/ton)	LIFFE	1,381	unch.	unch.	1,710	1,300
	Copper (cents/lb.)	COMEX	346.95	-2.50	-0.72	365.00	135.50
	Gold ($/troy oz.)	COMEX	1131.40	-4.50	-0.40	1,227.50	762.30
	Silver (cents/troy oz.)	COMEX	1834.50	17.00	0.94	2,011.50	1,045.00
	Aluminum ($/ton)	LME	2,337.00	4.00	0.17	2,337.00	1,288.00
	Tin ($/ton)	LME	17,730.00	205.00	1.17	17,730.00	9,945.00
	Copper ($/ton)	LME	7,605.00	-10.00	-0.13	7,615.00	3,085.00
	Lead ($/ton)	LME	2,615.00	5.00	0.19	2,615.00	995.00
	Zinc ($/ton)	LME	2,659.00	10.00	0.38	2,659.00	1,086.00
	Nickel ($/ton)	LME	18,800	-245	-1.29	21,150	9,475
	Crude oil ($/bbl.)	NYMEX	83.22	0.04	0.05	117.00	47.60
	Heating oil ($/gal.)	NYMEX	2.1931	-0.0101	-0.46	3.5570	1.3816
	RBOB gasoline ($/gal.)	NYMEX	2.1300	-0.0066	-0.31	2.1462	1.2304
	Natural gas ($/mmBtu)	NYMEX	5.964	0.023	0.39	12.590	4.550
	Brent crude ($/bbl.)	ICE-EU	82.29	-0.20	-0.24	98.10	49.10
	Gas oil ($/ton)	ICE-EU	669.25	0.75	0.11	875.00	450.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 7

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4459	0.1836	3.8013	0.2631
Brazil real	2.4863	0.4022	1.7355	0.5762
Canada dollar	1.4826	0.6745	1.0349	0.9663
1-mo. forward	1.4826	0.6745	1.0348	0.9663
3-mos. forward	1.4826	0.6745	1.0349	0.9663
6-mos. forward	1.4829	0.6744	1.0351	0.9661
Chile peso	705.94	0.001417	492.75	0.002029
Colombia peso	2817.59	0.0003549	1966.70	0.0005085
Ecuador US dollar-f	1.4326	0.6980	1	1
Mexico peso-a	18.2836	0.0547	12.7621	0.0784
Peru sol	4.1038	0.2437	2.8645	0.3491
Uruguay peso-e	28.008	0.0357	19.550	0.0512
U.S. dollar	1.4326	0.6980	1	1
Venezuela bolivar	3.08	0.325063	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.5591	0.6414	1.0883	0.9189
China yuan	9.7816	0.1022	6.8276	0.1465
Hong Kong dollar	11.1096	0.0900	7.7546	0.1290
India rupee	65.5294	0.0153	45.7400	0.0219
Indonesia rupiah	13238	0.0000755	9240	0.0001082
Japan yen	133.51	0.007490	93.19	0.010731
1-mo. forward	133.49	0.007491	93.18	0.010732
3-mos. forward	133.45	0.007494	93.15	0.010736
6-mos. forward	133.35	0.007499	93.08	0.010744
Malaysia ringgit-c	4.8287	0.2071	3.3705	0.2967
New Zealand dollar	1.9522	0.5122	1.3627	0.7339
Pakistan rupee	121.560	0.0082	84.850	0.0118
Philippines peso	65.938	0.0152	46.025	0.0217
Singapore dollar	2.0008	0.4998	1.3966	0.7160
South Korea won	1626.06	0.0006150	1135.00	0.0008811
Taiwan dollar	45.637	0.02191	31.855	0.03139
Thailand baht	47.500	0.02105	33.155	0.03016

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6980	1.4327
1-mo. forward	1.0001	0.9999	0.6980	1.4326
3-mos. forward	1.0002	0.9998	0.6982	1.4323
6-mos. forward	1.0006	0.9994	0.6984	1.4318
Czech Rep. koruna-b	26.293	0.0380	18.353	0.0545
Denmark krone	7.4410	0.1344	5.1939	0.1925
Hungary forint	269.92	0.003705	188.41	0.005308
Norway krone	8.1784	0.1223	5.7086	0.1752
Poland zloty	4.1133	0.2431	2.8711	0.3483
Russia ruble-d	42.790	0.02337	29.868	0.03348
Sweden krona	10.1927	0.0981	7.1146	0.1406
Switzerland franc	1.4791	0.6761	1.0324	0.9686
1-mo. forward	1.4788	0.6762	1.0322	0.9688
3-mos. forward	1.4782	0.6765	1.0318	0.9692
6-mos. forward	1.4771	0.6770	1.0311	0.9699
Turkey lira	2.1081	0.4744	1.4715	0.6796
U.K. pound	0.8987	1.1127	0.6273	1.5940
1-mo. forward	0.8989	1.1124	0.6275	1.5937
3-mos. forward	0.8993	1.1120	0.6277	1.5931
6-mos. forward	0.8998	1.1114	0.6281	1.5922
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5401	1.8516	0.3770	2.6526
Egypt pound-a	7.8115	0.1280	5.4525	0.1834
Israel shekel	5.3345	0.1875	3.7236	0.2686
Jordan dinar	1.0147	0.9855	0.7083	1.4119
Kuwait dinar	0.4112	2.4317	0.2871	3.4837
Lebanon pound	2159.72	0.0004630	1507.50	0.0006634
Saudi Arabia riyal	5.3728	0.1861	3.7503	0.2666
South Africa rand	10.5730	0.0946	7.3800	0.1355
United Arab dirham	5.2621	0.1900	3.6730	0.2723
SDR -f	0.9176	1.0898	0.6405	1.5613

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
53	**ASIA-PACIFIC**	**DJ Asia-Pacific**	126.09	-0.72	-0.57%	2.5%	34.6%
...	Australia	**SPX/ASX 200**	4899.40	-22.00	-0.45	0.6	32.6
...	China	**CBN 600**	28318.63	-568.28	-1.97	-2.5	83.9
21	Hong Kong	**Hang Seng**	22269.45	-147.22	-0.66	1.8	54.5
20	India	**Sensex**	17615.72	-85.41	-0.48	0.9	83.7
...	Indonesia	**Jakarta Composite**	2586.895	-16.402	-0.63	2.1	84.4
...	Japan	**Nikkei Stock Average**	10681.66	-49.79	-0.46	1.3	20.3
...		**Topix**	931.85	0.72	0.08%	2.7	8.2
...	Malaysia	**Kuala Lumpur Composite**	1291.42	-1.75	-0.14	1.5	41.8
...	New Zealand	**NZSX-50**	3284.811	13.243	0.40	1.7	19.2
9	Pakistan	**KSE 100**	9737.47	10.11	0.10	3.7	60.3
14	Philippines	**Manila Composite**	3077.78	37.85	1.25	0.8	56.2
...	Singapore	**Straits Times**	2913.25	-17.24	-0.59	0.5	59.4
11	South Korea	**Kospi**	1683.45	-21.87	-1.28	...	39.6
20	Taiwan	**Weighted**	8237.42	-90.20	-1.08	0.6	81.6
10	Thailand	**SET**	734.63	-1.10	-0.15	...	58.0
50	**EUROPE**	**DJ Stoxx 600**	258.08	0.12	0.05	1.9	23.6
22		**DJ Stoxx 50**	2618.68	1.33	0.05	1.5	20.6
62	**Euro Zone**	**DJ Euro Stoxx**	280.52	0.05	0.02%	2.1%	21.7%
20		**DJ Euro Stoxx 50**	3008.35	-1.31	-0.04%	1.4	19.5
19	Denmark	**OMX Copenhagen**	329.12	4.57	1.41	4.3	32.0
21	Finland	**OMX Helsinki**	6669.09	35.55	0.54	3.3	19.0
20	France	**CAC-40**	4024.80	7.13	0.18	2.2	21.1
21	Germany	**DAX**	6019.36	-14.97	-0.25	1.0	23.3
15	Italy	**FTSE MIB**	23709.01	86.72	0.37	2.0	14.9
...	Netherlands	**AEX**	340.55	-0.93	-0.27	1.6	28.7
...	Russia	**RTSI**	1444.61		Closed		128.6
11	Spain	**IBEX 35**	12166.3	-56.2	-0.46	1.9	28.5
14	Switzerland	**SMI**	6555.36	-4.05	-0.06	0.1	14.0
...	Turkey	**ISE National 100**	54972.94	425.58	0.78	4.1	109.7
15	U.K.	**FTSE 100**	5526.72	-3.32	-0.06	2.1	22.7
22	**AMERICAS**	**DJ Americas**	301.70	-1.62	-0.53	1.8	32.5
...	Brazil	**Bovespa**	70297.68	-431.66	-0.61	2.5	67.4
...	Argentina	**Merval**	2361.08	-1.38	-0.06	1.7	100.8
21	Mexico	**IPC**	32889.16	59.00	0.18	2.4	50.9

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.10%	22	**DJ Global Index**	231.00	-1.35	-1.35%	31.7%	-0.6%	-5.6%
		Global DOW	2018.44	-8.13	-8.13	29.3	-0.4	-1.6
2.29		**Asia/Pacific 600**	117.41	-0.59	-0.59	23.0	-0.5	-7.0
1.67	16	**Emerging Markets**	286.89	-2.25	-2.25	76.9	-0.8	5.2
2.07	53	**Asia/Pacific**	126.09	-0.72	-0.72	34.6	-0.6	-4.6
2.30	18	**Asia/Pacific ex-Japan**	323.37	-1.87	-1.87	72.7	-0.6	2.1
2.46	24	**Southeast Asia**	163.71	-0.97	-0.97	80.0	-0.6	3.0
0.82	29	**CBN China 600** -c	28318.63	-568.28	-568.28	83.9	-2.0	21.3
0.84	33	**Shanghai**	378.64	-7.67	-7.67	83.4	-2.0	21.5
0.57	47	**Shenzhen**	408.14	-8.10	-8.10	107.0	-1.9	28.4
2.11	20	**China Offshore 50**	4174.81	-42.75	-42.75	59.5	-1.0	7.1
7.35	10	**Australia LPT** -c, d	1176.55	2.77	2.77	3.4	0.2	-20.8
7.35%	10	**Islamic Market**	2008.72	-11.92	-11.92%	33.1%	-0.6%	-0.6%
2.32	16	**Islamic Market 100**	2141.76	-12.42	-12.42	21.2	-0.6	-1.9
9.66	15	**Bahrain**	121.02	0.33	0.33	-19.2	0.3	-14.1
2.92	35	**Kuwait**	195.14	0.43	0.43	-4.5	0.2	-16.1
2.53	21	**Sustainability**	1023.70	-7.42	-7.42	29.1	-0.7	-6.7
2.72	50	**Stoxx 600 -p**	277.18	-0.17	-0.17	29.3	-0.1	-7.9
4.74	17	**Stoxx Select Div 30 -p**	1853.93	-7.02	-7.02	29.6	-0.4	-19.9
3.98	23	**Euro Stoxx Sel Div 30 -p**	2206.81	1.75	1.75	33.3	0.1	-15.3
1.70	32	**DJ U.S. TSM**	11683.32	-51.80	-51.80	27.1	-0.4	-6.2
4.16	15	**U.S. Select Dividend -d**	653.21	-3.09	-3.09	13.7	-0.5	-9.7
4.70		**U.S. REIT**	143.83	-1.10	-1.10	24.0	-0.8	-18.1
		DJ-UBS Commodity -p	145.03	2.92	2.92	22.0	2.0	-2.8

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.088	0.627	1.035	6.828	0.698	7.755	45.740	9239.58	93.190	1.363	1135.00	3.370	46.025	1.397	1.032	31.855	33.155
Australia	0.919		0.576	0.951	6.274	0.641	7.126	42.030	8490.25	85.632	1.252	1042.95	3.097	42.292	1.283	0.949	29.272	30.466
Britain	1.594	1.735		1.650	10.884	1.113	12.361	72.912	14728.36	148.549	2.172	1809.24	5.373	73.366	2.226	1.646	50.778	52.851
Canada	0.966	1.052	0.606		6.598	0.675	7.493	44.200	8928.43	90.052	1.317	1096.77	3.257	44.475	1.350	0.998	30.782	32.038
China	0.1465	0.159	0.092	0.152		0.102	1.136	6.699	1353.27	13.649	0.200	166.24	0.494	6.741	0.205	0.151	4.666	4.856
Euro	1.433	1.559	0.899	1.483	9.782		11.110	65.529	13237.09	133.509	1.952	1626.05	4.829	65.938	2.001	1.479	45.637	47.500
Hong Kong	0.129	0.140	0.081	0.133	0.880	0.090		5.898	1191.50	12.017	0.176	146.37	0.435	5.935	0.180	0.133	4.108	4.276
India	0.0219	0.0238	0.0137	0.0226	0.1493	0.0153	0.1695		202.00	2.0374	0.0298	24.81	0.0737	1.0062	0.0305	0.0226	0.6964	0.7249
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0101	0.0001	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0036
Japan	0.011	0.012	0.007	0.011	0.073	0.007	0.083	0.491	99.15		0.015	12.18	0.036	0.494	0.015	0.011	0.342	0.356
New Zealand	0.734	0.799	0.460	0.759	5.010	0.512	5.691	33.566	6780.47	68.387		832.92	2.473	33.775	1.025	0.758	23.377	24.331
South Korea	0.0009	0.0010	0.0006	0.0009	0.0060	0.0006	0.0068	0.0403	8.14	0.0821	0.0012		0.0030	0.0406	0.0012	0.0009	0.0281	0.0292
Malaysia	0.297	0.323	0.186	0.307	2.026	0.207	2.301	13.571	2741.31	27.649	0.404	336.74		13.655	0.414	0.306	9.451	9.837
Philippines	0.022	0.024	0.014	0.022	0.148	0.015	0.168	0.994	200.75	2.025	0.030	24.66	0.073		0.030	0.022	0.692	0.720
Singapore	0.716	0.779	0.449	0.741	4.889	0.500	5.552	32.751	6615.77	66.726	0.976	812.69	2.413	32.955		0.739	22.809	23.740
Switzerland	0.969	1.054	0.608	1.002	6.613	0.676	7.511	44.305	8949.61	90.265	1.320	1099.38	3.265	44.581	1.353		30.855	32.114
Taiwan	0.031	0.034	0.020	0.032	0.214	0.022	0.243	1.436	290.05	2.925	0.043	35.63	0.106	1.445	0.044	0.032		1.041
Thailand	0.030	0.033	0.019	0.031	0.206	0.021	0.234	1.380	278.68	2.811	0.041	34.23	0.102	1.388	0.042	0.031	0.961	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 07, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	306.29	0.13%	**34.5%**	34.5%
2.40	28	**World (Developed Markets)**	1,193.52	0.05	**29.7**	29.7
1.80	117	**World Small Cap**	195.81	0.32	**45.9**	45.9
2.50	23	**Kokusai (World ex-Japan)**	1,183.32	0.06	**32.6**	32.6
2.90	28	**EAFE**	1,615.26	-0.04	**30.5**	30.5
2.00	20	**Emerging Markets (EM)**	1,021.75	0.64	**80.2**	80.2
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	428.96	0.65	**73.4**	73.4
2.00	24	**AC Far East ex-Japan**	463.40	0.83	**69.9**	69.9
1.70	-35	**Japan**	583.27	1.25	**10.1**	10.1
1.90	21	**China**	66.99	0.57	**64.2**	64.2
0.80	40	**China A (China Domestic)**	3,355.87	-0.54	**93.5**	93.5
2.60	24	**Hong Kong**	10,420.65	0.34	**59.0**	59.0
0.90	21	**India**	719.45	0.12	**94.9**	94.9
1.00	17	**Korea**	487.75	0.94	**58.9**	58.9
2.40	20	**Malaysia**	478.31	0.35	**48.9**	48.9
2.90	18	**Singapore**	1,640.67	0.24	**64.6**	64.6
2.50	248	**Taiwan**	301.69	1.46	**74.0**	74.0
2.90	19	**Thailand**	301.54	0.74	**62.9**	62.9
3.70	26	**Australia**	1,010.59	-0.10	**32.1**	32.1
5.20	16	**New Zealand**	88.74	-0.13	**16.9**	16.9
1.80	33	**US BROAD MARKET**	1,262.90	0.11	**28.6**	28.6
3.20	18	**EUROPE**	89.63	0.10	**29.1**	29.1

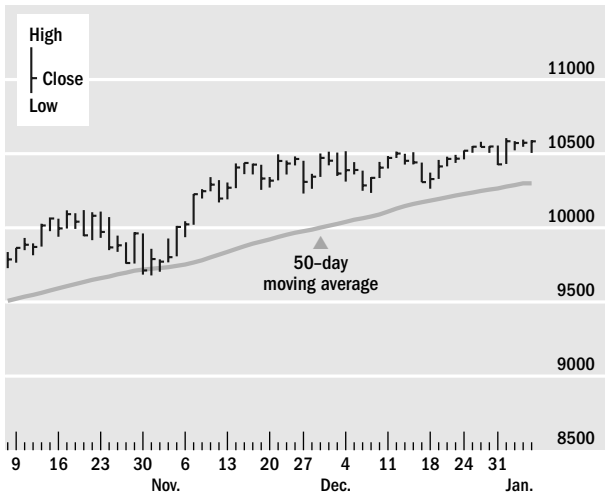
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

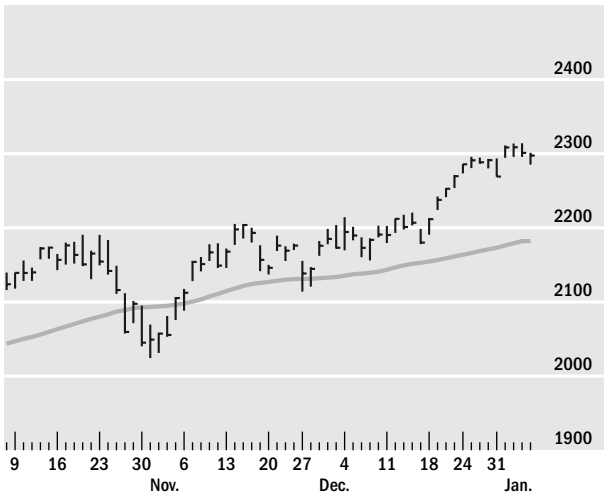
Dow Jones Industrial Average P/E: 18

LAST: **10583.28** ▲ 9.60, or 0.09%
YEAR TO DATE: ▲ **155.23, or 1.5%**
OVER 52 WEEKS ▲ **1,840.82, or 21.1%**



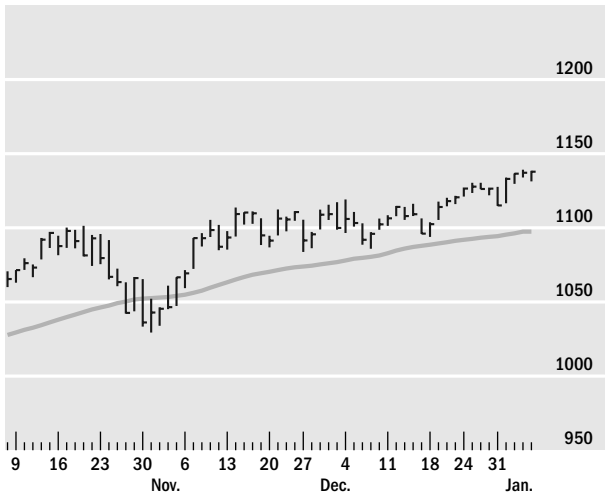
Nasdaq Composite Index P/E: 49*

LAST: **2297.46** ▼ 3.63, or 0.16%
YEAR TO DATE: ▲ **28.31, or 1.2%**
OVER 52 WEEKS ▲ **680.45, or 42.1%**



S&P 500 Index P/E: 75

LAST: **1137.85** ▲ 0.71, or 0.06%
YEAR TO DATE: ▲ **22.75, or 2.0%**
OVER 52 WEEKS ▲ **228.12, or 25.1%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**13.10**	$27.44	-0.17	**-0.62%**
Alcoa	AA	**20.90**	16.45	-0.52	**-3.06**
AmExpress	AXP	**2.60**	41.39	0.08	**0.19**
BankAm	BAC	**137.10**	16.94	0.55	**3.36**
Boeing	BA	**6.40**	61.82	2.04	**3.42**
Caterpillar	CAT	**2.40**	59.48	0.05	**0.08**
Chevron	CVX	**3.90**	79.38	-0.25	**-0.31**
CiscoSys	CSCO	**12.30**	24.33	-0.10	**-0.39**
CocaCola	KO	**3.30**	56.11	-0.22	**-0.39**
Disney	DIS	**3.40**	31.73	-0.09	**-0.28**
DuPont	DD	**2.30**	34.28	0.24	**0.72**
ExxonMobil	XOM	**13.40**	69.75	-0.27	**-0.39**
GenElec	GE	**59.60**	16.16	0.71	**4.60**
HewlettPk	HPQ	**4.60**	52.15	-0.03	**-0.06**
HomeDpt	HD	**5.20**	28.90	0.12	**0.42**
Intel	INTC	**22.60**	20.41	-0.39	**-1.88**
IBM	IBM	**2.80**	129.81	-0.19	**-0.15**
JPMorgChas	JPM	**11.80**	44.09	0.17	**0.39**
JohnsJohns	JNJ	**4.20**	63.83	-0.62	**-0.96**
KftFoods	KFT	**8.60**	28.86	-0.11	**-0.38**
McDonalds	MCD	**2.70**	62.06	0.61	**0.99**
Merck	MRK	**5.30**	37.82	0.16	**0.42**
Microsoft	MSFT	**20.30**	30.21	-0.56	**-1.82**
Pfizer	PFE	**15.80**	18.54	-0.06	**-0.34**
ProctGamb	PG	**4.30**	60.46	-0.39	**-0.64**
3M	MMM	**2.10**	82.90	-0.77	**-0.92**
TravelersCos	TRV	**1.90**	48.40	0.46	**0.96**
UnitedTech	UTX	**1.60**	70.41	0.22	**0.31**
Verizon	VZ	**12.40**	31.78	-0.14	**-0.44**
WalMart	WMT	**4.30**	53.38	-0.19	**-0.35**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**374.6**	$3.62	–$0.02	**–0.55%**
BankAm	BAC	**146.3**	16.94	0.55	**3.36**
FordMotor	F	**67.8**	11.41	0.04	**0.35**
GenElec	GE	**60.4**	16.09	0.64	**4.14**
SPDR S&P 500	SPY	**54.5**	113.77	0.06	**0.05**
QwestComm	Q	**42.2**	4.71	0.20	**4.43**
SPDR FnclSelSct	XLF	**35.6**	15.18	0.19	**1.27**
PwrShrs QQQ	QQQQ	**32.0**	46.02	–0.12	**–0.26**
iShrRu2000	IWM	**31.9**	63.74	0.04	**0.06**
SprintNextel	S	**30.2**	4.03	–0.06	**–1.47**
Motorola	MOT	**28.6**	8.03	0.06	**0.75**
FannieMae	FNM	**27.9**	1.16	0.06	**5.45**
BeazerHm	BZH	**27.7**	5.09	0.32	**6.71**
GameStop A	GME	**27.1**	20.40	–3.63	**–15.11**
MicronTch	MU	**25.5**	10.62	–0.61	**–5.39**

Biggest gainers...

Zygo	ZIGO	**1,008.9**	$10.73	$3.35	**45.39%**
ComsysITPtnr	CITP	**177.6**	11.84	2.70	**29.54**
InfoSpace	INSP	**1,864.8**	12.00	2.48	**26.05**
BBC Tr	BBXT	**12.5**	7.20	1.18	**19.60**
ZepInc wi	ZEP	**164.8**	20.69	3.39	**19.60**

...Biggest losers

GameStop A	GME	**27,138.3**	$20.40	-$3.63	**-15.11%**
TesseraTch	TSRA	**3,540.0**	19.94	-3.45	**-14.75**
NgtckValFnl	NVSL	**2.1**	5.80	-0.83	**-12.52**
Chrstphr&Bnks	CBK	**353.5**	6.80	-0.86	**-11.23**
BioFuelEgyCp	BIOF	**132.0**	3.12	-0.37	**-10.60**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**9,845.0**	$11.22	-0.27	**-2.35%**
4.21	1.65	**Utd Microelectronics**	UMC	**4,124.3**	4.16	-0.02	**-0.48**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**2,825.1**	7.57	0.32	**4.41**
81.28	33.09	**BHP Billiton**	BHP	**1,730.2**	79.53	-1.36	**-1.68**
13.26	6.25	**AU Optrncs**	AUO	**1,641.4**	13.02	-0.17	**-1.29**
15.95	8.56	**China Unicom**	CHU	**1,045.2**	13.35	-0.06	**-0.45**
57.00	22.61	**Infosys Tech**	INFY	**967.1**	54.81	-1.30	**-2.32**
5.09	1.49	**Adv Semi Engrg**	ASX	**762.2**	4.98	0.25	**5.29**
18.64	12.59	**SK Telecom**	SKM	**689.0**	16.74	0.22	**1.33**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**646.4**	5.14	0.00	**-0.01**
32.79	9.91	**Aluminum Cp of China**	ACH	**530.6**	31.64	-0.46	**-1.43**
43.95	21.23	**Canon**	CAJ	**493.6**	42.31	-1.21	**-2.78**
59.22	40.20	**China Mobile**	CHL	**462.9**	47.12	-0.30	**-0.63**
19.56	15.05	**ChunghwaTel**	CHT	**384.6**	18.36	-0.40	**-2.13**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**289.1**	25.18	-0.35	**-1.37**
9.50	3.96	**Nomura Hldgs**	NMR	**234.4**	7.91	0.16	**2.06**
34.79	20.28	**Honda Motor**	HMC	**215.6**	33.46	-0.69	**-2.02**
30.82	15.64	**Sony**	SNE	**202.4**	29.72	-0.13	**-0.43**
7.28	2.00	**Alumina**	AWC	**171.3**	7.19	0.02	**0.28**
81.00	37.43	**China Life Ins**	LFC	**171.1**	74.36	-1.57	**-2.07**
135.92	63.94	**PetroChina**	PTR	**152.4**	127.60	-2.20	**-1.69**
12.07	2.00	**City Telecom**	CTEL	**138.8**	11.84	0.39	**3.41**
150.50	47.09	**POSCO**	PKX	**136.8**	133.50	-2.70	**-1.98**
26.67	17.71	**NTT**	NTT	**132.9**	20.27	-0.44	**-2.12**
4.00	1.50	**SemiMfgInt**	SMI	**125.4**	3.67	-0.07	**-1.87**
87.67	56.79	**Toyota Motor**	TM	**105.6**	83.46	-1.38	**-1.63**
15.29	6.85	**Korea Elec Pwr**	KEP	**100.9**	14.82	-0.16	**-1.07**
94.00	46.45	**China Petro & Chem**	SNP	**94.5**	86.50	-1.70	**-1.93**
27.46	14.13	**Tata Communications**	TCL	**91.0**	15.61	-0.18	**-1.14**
16.60	10.60	**Matsushita Elec**	PC	**84.8**	14.57	-0.07	**-0.48**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

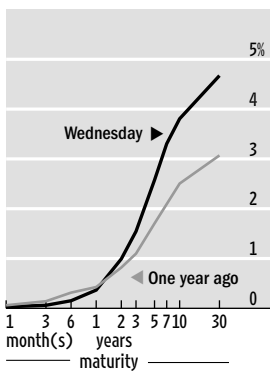
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.510%**	**349.4**	344.4	370.3	**217.6**	**4.480%**	4.473%	**2.995%**
4.500	10	**5.730**	**190.6**	194.2	208.5	**176.1**	**5.750**	5.521	**4.258**
5.000	**Austria** 2	**1.696**	**68.0**	67.5	17.8	**104.3**	**1.711**	0.948	**1.862**
3.900	10	**3.832**	**0.8**	7.1	8.4	**157.1**	**3.879**	3.520	**4.068**
3.500	**Belgium** 2	**1.007**	**-0.9**	6.1	34.3	**116.8**	**1.097**	1.113	**1.987**
4.000	10	**3.697**	**-12.7**	-6.6	14.4	**150.4**	**3.742**	3.580	**4.001**
1.250	**Canada** 2	**1.387**	**37.1**	36.7	45.4	**32.4**	**1.403**	1.224	**1.143**
3.750	10	**3.645**	**-17.9**	-19.1	-15.7	**43.1**	**3.617**	3.279	**2.928**
4.000	**Denmark** 2	**2.089**	**107.3**	107.9	135.6	**175.3**	**2.115**	2.126	**2.572**
4.000	10	**3.673**	**-15.1**	-14.5	11.6	**103.7**	**3.663**	3.552	**3.534**
1.500	**France** 2	**1.150**	**13.4**	14.7	52.1	**113.3**	**1.183**	1.291	**1.952**
3.750	10	**3.585**	**-23.9**	-20.3	2.1	**117.0**	**3.605**	3.457	**3.667**
1.250	**Germany** 2	**1.276**	**26.0**	27.1	57.6	**85.6**	**1.307**	1.346	**1.675**
3.250	10	**3.373**	**-45.1**	-42.8	-24.2	**68.7**	**3.380**	3.194	**3.184**
0.550	**Hong Kong** 2	**0.574**	**-44.2**	-30.7	-40.0	**-0.7**	**0.729**	0.370	**0.812**
2.160	10	**2.987**	**-83.7**	-100.0	-89.3	**-94.9**	**2.808**	2.543	**1.548**
3.750	**Italy** 2	**1.470**	**45.4**	47.5	80.2	**196.1**	**1.511**	1.572	**2.780**
4.250	10	**4.093**	**26.9**	30.0	51.6	**194.3**	**4.108**	3.952	**4.440**
0.200	**Japan** 2	**0.165**	**-85.1**	-87.3	-58.5	**-43.0**	**0.163**	0.185	**0.389**
1.300	10	**1.352**	**-247.2**	-246.6	-214.9	**-124.4**	**1.342**	1.287	**1.253**
4.000	**Netherlands** 2	**0.781**	**-23.5**	-23.0	15.9	**96.9**	**0.806**	0.929	**1.788**
4.000	10	**3.543**	**-28.1**	-24.1	0.1	**125.9**	**3.567**	3.437	**3.756**
3.200	**Portugal** 2	**1.212**	**19.6**	21.1	50.3	**154.2**	**1.247**	1.273	**2.361**
4.750	10	**4.039**	**21.5**	24.8	32.4	**167.2**	**4.056**	3.760	**4.169**
5.350	**Spain** 2	**1.490**	**47.4**	48.7	65.3	**123.0**	**1.523**	1.423	**2.049**
4.300	10	**4.000**	**17.6**	18.3	31.1	**152.0**	**3.991**	3.747	**4.017**
2.750	**Switzerland** 2	**0.652**	**-36.4**	-38.1	-35.6	**-14.2**	**0.655**	0.414	**0.677**
2.250	10	**2.105**	**-171.9**	-169.3	-153.0	**-6.6**	**2.115**	1.906	**2.431**
3.250	**U.K.** 2	**1.294**	**27.8**	27.2	41.7	**30.8**	**1.308**	1.187	**1.127**
4.500	10	**4.054**	**23.0**	24.2	25.8	**79.7**	**4.050**	3.694	**3.294**
1.000	**U.S.** 2	**1.016**	**...**	...	...	**...**	**1.036**	0.770	**0.819**
3.375	10	**3.824**	**...**	...	...	**...**	**3.808**	3.436	**2.497**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.672%**	16.13	–0.54%	–0.54%	–0.54%	–20.83%
10-year Treasury	**3.806**	8.24	0.30	0.30	0.30	–7.18
7 Year Treasury	**3.305**	6.20	0.56	0.56	0.56	...
Five-year Treasury	**2.575**	4.64	0.55	0.55	0.55	0.71
Ryan Index	**2.816**	6.67	0.27	0.27	0.27	–4.43
3 Year Treasury	**1.545**	2.88	0.42	0.42	0.42	1.91
Two-year Treasury	**0.992**	1.96	0.31	0.31	0.31	1.72
1 Year Treasury	**0.366**	0.94	0.08	0.08	0.08	1.11
Six-month Treasury	**0.152**	0.50	0.02	0.02	0.02	0.66
Ryan Cash Index-a	**0.152**	0.44	0.03	0.03	0.03	0.57
Three-month bill	**0.061**	0.25	0.01	0.01	0.01	0.39
One-month bill	**0.030**	0.08	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	1.50
ECB	**1.00**	2.50
Switzerland	**0.53**	0.52
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23125%**	0.38625%
Three month	**0.24938**	1.35375
Six month	**0.41750**	1.68625
One year	**0.94813**	1.92500

	Latest	52 wks ago
Euro Libor		
One month	**0.41063%**	2.43375%
Three month	**0.64875**	2.71875
Six month	**0.96500**	2.80813
One year	**1.21625**	2.88150
Hibor		
One month	**0.06964**	0.15143%
Three month	**0.13000**	0.84929
Six month	**0.26000**	1.20071
One year	**0.62857**	1.70000
Asian dollars		
One month	**0.2427%**	0.39%
Three month	**0.2610**	1.3760
Six month	**0.4350**	1.7020
One year	**0.9600**	1.9560

	Offer	Bid
Eurodollars		
One month	**0.3500%**	0.2000%
Three month	**0.3800**	0.2300
Six month	**0.4700**	0.3200
One year	**0.7500**	0.6000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.11%**	0.10%
U.K. (BBA)	**0.503**	1.270
Euro zone	**0.30**	2.09

Sources: WSJ Market Data Group; Reuters

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Wanted at JAL: an iron fist and a rhinoceros hide

Memo to **Japan Airlines**' prospective chief executive: Secure final decision-making authority or forget about the job.

Here are some of the challenges you'll face, should you accept the position: an airline that flies routes partly because of political—not financial—factors; a unionized work force that won't take kindly to any cut in staff or benefits; and an aging, high-cost fleet that has you falling behind the industry's push for fuel efficiency.

Fixing these problems will take a heavy hand. And it's all going to be done under the glare of a watchful media and investment community.

European Pressphoto Agency

Turbulent ride

Daily share price of Japan Airlines, Thursday's close: ¥76, down 9.5%

Source: Thomson Reuters Datastream

Routes and staff cuts will be the thorniest. Under pressure from politicians looking to justify airports built across Japan, JAL currently flies to 55 of these. The cost of this, measured as a percentage of operating revenue allocated to airport landing and usage fees, is almost 9% at JAL and domestic rival **All Nippon Airways**. At **Delta Air Lines** it's closer to 3.4%, and at **Korean Air**, it's 2.9%.

But cutting routes is going to leave JAL with too many workers. Already, by many metrics, it is overstaffed. Resolving this, given that JAL's work force falls under the umbrella of eight unions, won't be easy.

Then there's JAL's fleet. About a dozen jet varieties means higher training costs and maintenance fees, and more cash tied up in parts inventories. JAL spends 8.3% of operating revenue on maintenance, while ANA—which flies with half as many types—spends 5.2%.

Of course, there is also the issue of renewing fleets with newer, cost-saving designs. That is difficult to do while cash flow is negative and debt burden high. ANA's spending on new aircraft was double JAL's in the six months through September.

It isn't hopeless. A restructuring plan due later this month will surely wipe away some of JAL's $17 billion in liabilities. In fact, one scenario on the table, a managed bankruptcy, could be just what you need, offering a structured way to reach an agreement with shareholders, creditors, workers and pensioners and reduce JAL's burden.

This plan seems to have the government's backing, which could mean you'll have the strong hand you need to remake the business. Anything less? You walk...or at least come into the job with a thick skin and a golden parachute.

Good luck. You'll need it.

—James Simms

The euro zone could end up tripping over an economic bounce

The euro zone managed to escape the worst of the recession in 2009, but it also is likely to miss the best of the recovery in 2010.

Thanks to a strong rebound in manufacturing in the third and fourth quarters, the area's economy likely will have contracted by less than 4% last year. However, much of this bounce is testimony to the power of government spending.

Once this support is withdrawn, the region will pay the price for its failure to tackle its structural weaknesses. The first threat to gross-domestic-product growth is the expiration of the auto-incentive programs that were the main driver of last year's manufacturing rebound in France and Germany. History suggests these programs will have merely bought forward consumption from this year.

Second, European companies didn't make as much progress on cutting costs during the recession as did U.S. companies, and that means that they are going into the recovery with low productivity and profitability. Despite a 4.5% decline in GDP to the end of the third quarter, employment levels fell just 1.8%, partly held up by government measures to preserve jobs.

> **When support is gone, the region will pay the price for its failure to tackle its structural weaknesses.**

As a result, the euro zone likely will experience, at best, a jobless recovery. At worst, the restructuring and industry consolidation needed to remove excess capacity may have been only deferred. Société Générale forecasts almost zero real wage growth in 2010, while consumer spending will expand just 0.2% compared with 2.5% in the U.S.

A third issue is the strength of the euro, which has appreciated against the dollar and the pound. That isn't such a problem for more-competitive economies such as Germany, but it will add to the woes of some of the euro area's weaker economies such as Ireland, Greece and Spain, which face a further loss of competitiveness at a time when they need export-led growth to head off a slump in domestic activity.

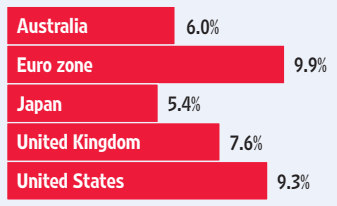
These wide variations in economic conditions between euro-zone members will make life harder for the European Central Bank to set policy for the region. The recent rise in Greek and Irish government-bond yields coincided with warnings from the ECB to banks to reduce reliance on central-bank liquidity.

As the ECB exit strategy unfolds in 2010, further volatility seems inevitable, adding to pressure on government finances and bank-funding costs, and potentially putting a brake on regional growth. That may point to the ECB pursuing a more-cautious strategy than many other central banks, leaving interest rates low for most of 2010 while it focuses on withdrawing liquidity. But even that is unlikely to lift the gloom: SocGen forecasts euro-zone growth will be just 1.5% in 2010, compared with more than 3% in the U.S.

—Simon Nixon

Job gaps

Estimated 2009 unemployment rates:



Source: International Monetary Fund

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MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Thursday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10681.66
▼ **0.46% or 49.79**

The index snapped a three-day winning streak as losses in precision-equipment makers such as Canon offset gains in marine transports. Toyota Motor also declined.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**223.63**	177	3	1.72
Mtshbsh Fin Grp	**166.31**	476	4	0.85
JapanAirlines	**105.72**	76	–8	–9.52
Nippon Yusen	**82.05**	326	18	5.84
Nomura Hldgs	**55.68**	736	24	3.37

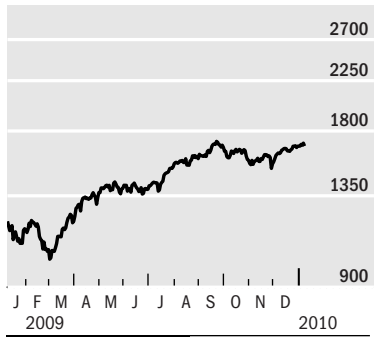
CBN 600
China 28318.63
▼ **1.97% or 568.28**

China Vanke lost some ground, despite saying its property sales in 2009 rose from a year earlier. ICBC, Sinopec and PetroChina also slipped.

Stock	Volume in millions	Close	Change Net	Change %
China State Con	**223.97**	4.53	–0.06	–1.31
HainanExpressway	**180.99**	6.81	0.62	10.02
United Network	**169.88**	7.02	–0.21	–2.90
ChinaMinshengBkg	**166.51**	7.70	–0.21	–2.65
Icbc	**157.98**	5.21	–0.13	–2.43

Kospi
South Korea 1683.45
▼ **1.28% or 21.87**

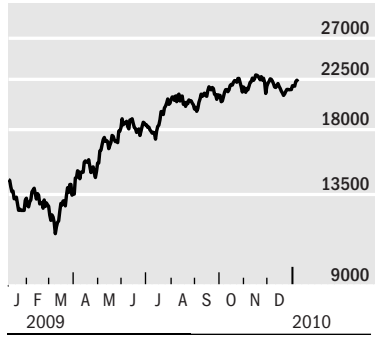
Shares fell as the rapid appreciation of the local currency against the U.S. dollar weighed on exporters, offsetting gains in shipyards and shipping firms.



Stock	Volume in millions	Close	Change Net	Change %
Korea Data Sys	**34.12**	225	20	9.76
Baemyung Metal	**17.30**	1,035	40	4.02
Optimus	**13.42**	185	15	8.82
Hynix Semi	**11.06**	24,400	–150	–0.61
Stx Pan Ocean	**11.00**	12,500	450	3.73

Hang Seng
Hong Kong 22269.45
▼ **0.66% or 147.22**

Profit-taking brought the index's two-day rally to a close. China developers bucked the broader market's decline due to bargain hunting, with Minmetals Land rising.

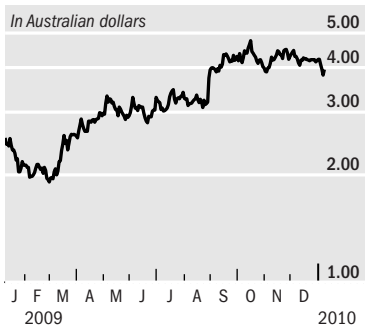


Stock	Volume in millions	Close	Change Net	Change %
CCB	**237.46**	6.61	–0.11	–1.64
Icbc	**226.26**	6.37	–0.08	–1.24
Bank Of China	**224.75**	4.27	–0.07	–1.61
ChinaPetroChem	**144.98**	6.71	–0.11	–1.61
Chalco	**108.78**	9.98	0.03	0.30

Asian stocks in the news

Harvey Norman Hldgs
Australia A$3.95
▲ **3.7% or A$0.14**

News of stronger-than-expected retail sales in November boosted consumer-related stocks.



Price-to-earnings ratio	**20**
Earnings per share, past four quarters	**0.20**
Dividend yield	**1.5**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**-0.6%**	1.4%	27.8%
Harvey Norman Hldgs	**3.7%**	-6.4%	55.5%

Omron
Japan ¥1,790
▲ **4.3% or ¥73**

The company's shares extended gains to a fourth consecutive session.

Price-to-earnings ratio	**203**
Earnings per share, past four quarters	**8.80**
Dividend yield	**0.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-0.5%**	2.9%	41.1%
Omron	**4.3%**	7.7%	46.1%

Sumitomo Mitsui Finl
Japan ¥2,920
▲ **4.3% or ¥120**

The firm gained after it officially announced plans to raise capital via a new share offering.

Price-to-earnings ratio	**18**
Earnings per share, past four quarters	**159.70**
Dividend yield	**3.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**-0.5%**	2.2%	28.9%
Sumitomo Mitsui Finl	**4.3%**	10.4%	-27.5%

Agile Prop
Hong Kong HK$11.66
▲ **4.7% or HK$0.52**

Shares rose on a report that the developer's contract sales last year were 41% above its target.

Price-to-earnings ratio	**22**
Earnings per share, past four quarters	**0.54**
Dividend yield	**1.0**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-0.1%**	2.0%	37.7%
Agile Prop	**4.7%**	2.3%	199.7%

Nippon Yusen K.K.
Japan ¥326
▲ **5.8% or ¥18**

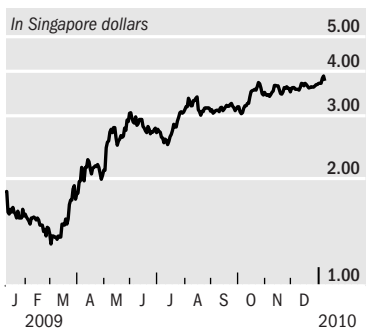
The shipper jumped after Morgan Stanley upgraded its view on the sector to "attractive."

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-27.60**
Dividend yield	**0.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-0.5%**	2.9%	41.1%
Nippon Yusen K.K.	**5.8%**	14.4%	-39.4%

SembCorp Marine
Singapore S$3.76
▼ **3.1% or S$0.12**

The rig builder said it has increased the size of it debt issuance.

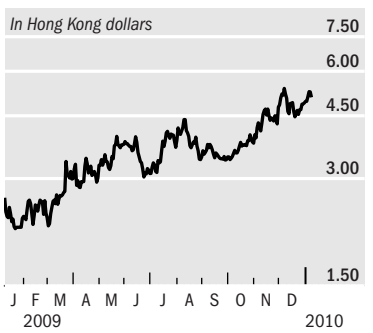


Price-to-earnings ratio	**16**
Earnings per share, past four quarters	**0.23**
Dividend yield	**2.9**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-0.5%**	2.9%	41.1%
SembCorp Marine	**-3.1%**	1.6%	105.5%

Denway Motors
Hong Kong HK$5.07
▼ **3.4% or HK$0.18**

The shares lost more ground after recently racking up a string of gains.



Price-to-earnings ratio	**17**
Earnings per share, past four quarters	**0.31**
Dividend yield	**1.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**-2.0%**	-1.6%	45.6%
Denway Motors	**-3.4%**	2.6%	91.3%

Tencent Hldgs
Hong Kong HK$165.60
▼ **3.8% or HK$6.60**

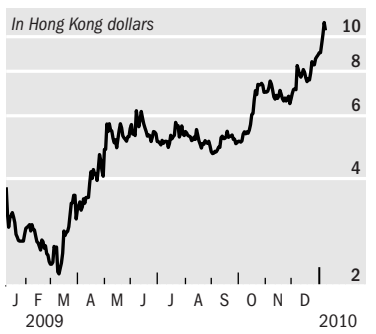
The provider of Internet and instant-messaging services gave back gains from previous sessions.

Price-to-earnings ratio	**58**
Earnings per share, past four quarters	**2.85**
Dividend yield	**0.2**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-1.6%**	2.0%	65.4%
Tencent Hldgs	**-3.8%**	-1.7%	261.6%

Foxconn Intl
Hong Kong HK$10.42
▼ **4.9% or HK$0.54**

The contract cellphone maker declined after gaining 31% in the past seven sessions.



Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.04**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-1.6%**	2.0%	65.4%
Foxconn Intl	**-4.9%**	15.5%	175.7%

Japan Airlines
Japan ¥76
▼ **9.5% or ¥8**

Shares tumbled on a report that the airline was set to post a $13.3 billion net loss.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-98.80**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**-0.7%**	1.8%	9.7%
Japan Airlines	**-9.5%**	13.4%	-63.5%

Delivering Solutions in Greater China

$480,193,548
Accelerated Equity Placement

Sole Placing Agent

December 2009

$300,000,000
7-Year 10% Senior Notes Due 2016

Joint Bookrunner and
Joint Lead Manager

November 2009

$838,724,194
Initial Public Offering

Joint Global Coordinator,
Joint Bookrunner and Joint Sponsor

November 2009

$857,633,550
Equity Placement to
China Investment Corporation

Sole Placing Agent

November 2009

$1,869,677,419
Initial Public Offering

Joint Bookrunner

October 2009

$228,154,839
Private Placement of Convertible
Bonds with Warrants and Equity

Joint Placing Agent

April and July 2009

$263,372,557
Initial Public Offering

Sole Global Coordinator,
Sole Bookrunner and Sole Sponsor

June 2009

Up to $132,197,327
Private Placement of Convertible
Bonds with Warrants to TPG Capital

Sole Financial Advisor

May 2009

$138,000,000
Initial Public Offering

Joint Bookrunner

April 2009

#1 in China IPOs in the US[1]
#1 in Asia mergers and acquisitions[2]
#1 in G3 global bond sales in Korea[3]
#1 in global high yield corporate bond issuance[4]
#1 in global leveraged loans[5]
#1 global commercial paper dealer[6]

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[1] 2007-2009 YTD, Dealogic [2] Announced and completed, 2008-Sep 2009, Dealogic [3] Deal sizes greater than US$300 million, 2009, Dealogic [4] By volume, 3Q 2009, Dealogic [5] By volume, 3Q 2009, Thomson Reuters [6] Based on number of dealerships as reported by Moody's, Standard & Poor's, Bloomberg, and CPWare, 3Q 2009

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